

# IDEV

Independent Development Evaluation  
African Development Bank

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## Evaluation of the AfDB's Integrated Safeguards System

Summary Report

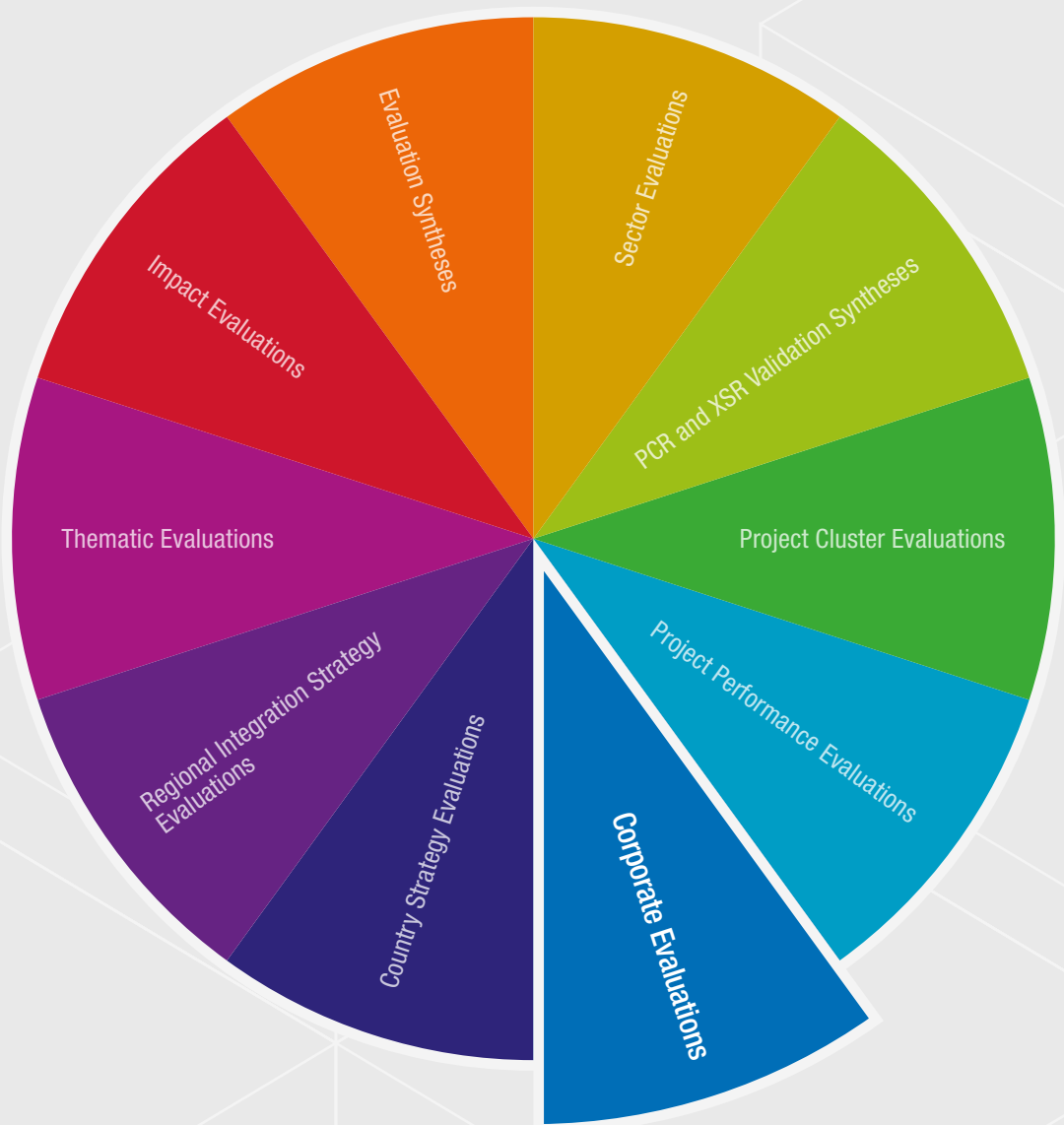
An IDEV Corporate Evaluation



AFRICAN DEVELOPMENT BANK GROUP

September 2019

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September 2019

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#### **Evaluation of the AfDB's Integrated Safeguards System – Summary Report** IDEV Corporate Evaluation, September 2019

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The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

#### **About Independent Development Evaluation (IDEV)**

The mission of Independent Development Evaluation at the AfDB is to enhance the development effectiveness of the institution in its regional member countries through independent and instrumental evaluations and partnerships for sharing knowledge.

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# Contents

Abbreviations and Acronyms	v
Glossary	vi
Executive Summary	1
Management Response	9
<b>Introduction</b>	<b>19</b>
The AfDB's Integrated Safeguards System	19
Evaluation Objectives, Scope and Questions	20
Methodology	21
<b>Relevance and Coverage of the AfDB's Safeguards Policy Framework</b>	<b>25</b>
Is the ISS Aligned with the Safeguards Systems of Comparator Organizations and Identified Best Practice?	25
Is the Bank's ISS Effectively Supporting its Strategic Priorities and the Recent Institutional Changes?	27
Is the Bank's ISS Relevant for and Adequately Applied to the Current Portfolio?	28
<b>Effectiveness: Safeguards Results</b>	<b>31</b>
Quality of the Bank's E&S Safeguards Work Across the Project Cycle	31
Evidence of E&S Performance in Operations	39
Bank Efforts to Strengthen Borrowers' Safeguards Systems and to Develop their Capacity to Manage E&S Risks	42
<b>Factors Affecting Safeguards Policy Implementation</b>	<b>45</b>
Staff Capacity, Time Allocation and Coverage	45
Information Management Systems to Archive Key E&S Documents, Facilitate ISS Safeguards Compliance Reviews and Ensure Learning Loops	47
Institutional Incentives	47
Knowledge of the ISS Requirements by Key Actors and Training Provided	48
ISS-Related Guidance Available to Operationalize the ISS Requirements	50
<b>Conclusions</b>	<b>53</b>
<b>Recommendations</b>	<b>57</b>
<b>Annexes</b>	<b>61</b>

# Contents

## List of figures

Figure 1	Assessment of the alignment of the ISS structure with other MDB safeguards systems	25
Figure 2	Bank due diligence, process and outputs to manage operations' E&S risks	31

## List of tables

Table 1	Project categorization and levels of E&S assessment according to the AfDB's ISS	20
Table 2	Evaluation criteria and overarching questions	22
Table 3	Evaluation sources of evidence and methods	22
Table 4	Safeguards results matrix for borrowers to report on implementation of the ESMP	37
Table 5	Relevance and coverage of the AfDB's Safeguards Policy Framework	53
Table 6	Effectiveness: Safeguards results	54
Table 7	Factors affecting the implementation of the AfDB's safeguards policy	54

## Abbreviations and Acronyms

<b>AEPR</b>	Annual Environmental Performance Reports	<b>IADB</b>	Inter-American Development Bank
<b>AfDB</b>	African Development Bank Group	<b>IBRD</b>	International Bank for Reconstruction and Development, World Bank Group
<b>ARAP</b>	Abbreviated Resettlement Action Plan	<b>IDA</b>	International Development Association
<b>AsDB</b>	Asian Development Bank	<b>IDEV</b>	Independent Development Evaluation
<b>BCRM</b>	Compliance Review and Mediation Unit	<b>IESIA</b>	Integrated Environmental and Social Impact Assessment
<b>BCS</b>	Broad Community Support	<b>IFC</b>	International Finance Corporation
<b>BTOR</b>	Back To Office Report	<b>IP</b>	Indigenous People
<b>CSO</b>	Civil Society Organization	<b>IPR</b>	Implementation Progress and Results Report (also known as IPRR)
<b>CSS</b>	Climate Safeguards System	<b>IRM</b>	Independent Review Mechanism
<b>DAM</b>	Delegation of Authority Matrix	<b>ISS</b>	Integrated Safeguards System
<b>DBDM</b>	Development and Business Delivery Model	<b>ISTS</b>	Integrated Safeguards Tracking System
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>KPI</b>	Key Performance Indicator
<b>EHS</b>	Environmental Health and Safety	<b>LOC</b>	Line of Credit
<b>EIB</b>	European Investment Bank	<b>MDB</b>	Multilateral Development Bank
<b>ESA</b>	Environmental and Social Assessment	<b>MSME</b>	Micro, Small and Medium Enterprise
<b>ESAP</b>	Environmental and Social Assessment Procedures	<b>NSO</b>	Non-Sovereign Operation
<b>ESHS</b>	Environmental, Social, Health and Safety	<b>OS</b>	Operational Safeguard
<b>ESIA</b>	Environmental and Social Impact Assessment	<b>PAP</b>	Project Affected Person
<b>ESMF</b>	Environmental and Social Management Framework	<b>PAR</b>	Project Appraisal Report
<b>ESMP</b>	Environmental and Social Management Plan	<b>PBO</b>	Program-Based Operation
<b>ESMS</b>	Environmental and Social Management System	<b>PCR</b>	Project Completion Report
<b>ESS</b>	Environmental and Social Safeguards	<b>PIU</b>	Project Implementation Unit
<b>E&amp;S</b>	Environmental and Social	<b>RAP</b>	Resettlement Action Plan
<b>FAPA</b>	Fund for African Private Sector Assistance	<b>RMC</b>	Regional Member Country
<b>FI</b>	Financial Intermediary	<b>SEPs</b>	Stakeholder Engagement Plans
<b>FRAP</b>	Full Resettlement Action Plan	<b>SESA</b>	Strategic Environmental and Social Assessment
<b>GHG</b>	Greenhouse Gas	<b>SNSC</b>	Safeguards and Compliance Department
		<b>TYS</b>	Ten Year Strategy
		<b>WB</b>	World Bank



# Glossary

## Environmental and Social (E&S) Categorization

The categorization determines the type and scale of E&S assessment that needs to be undertaken. The decision to allocate a project to a category is made using information available at the time of project identification. Operations with significant E&S impact and risks are considered as Category 1; those with less adverse E&S impact and risks are considered as Category 2; while those with negligible adverse E&S impact and risks are considered as Category 3. Category 4 operations are Bank operations involving lending to financial intermediaries, which are sub-categorized in FI-A (FI portfolio considered high risk), FI-B (medium risk) and FI-C (low risk).

## Environmental and Social Assessment Procedures (ESAP)

They provide guidance on the specific procedures that the Bank and its borrowers or clients should follow to ensure that Bank operations meet the requirements of the Operational Safeguards at each stage of the Bank's project cycle.

## Environmental and Social Impact Assessment (ESIA)

Instrument to identify, predict and assess the likely environmental, climate change and social consequences of a proposed development project in order to ascertain the means by which adverse impact can be avoided, minimized, mitigated, compensated/ offset and / or monitored, and increase development benefits.

## Environmental and Social Management System (ESMS)

Financial intermediary's system to integrate E&S impact and risk management into its business processes so it can manage potential E&S impact of sub-projects by ensuring the conduct of E&S due diligence prior to financing sub-projects and adequate monitoring during the term of the loan agreement.

## Financial Intermediary (FI) Operations

Financial intermediaries lend to or invest in sub-projects that may produce adverse E&S impact. FIs include banks, insurance, reinsurance and leasing companies, microfinance providers, private equity funds and investment funds that use the Bank's funds to lend or provide equity finance to their clients. FIs also include private or public-sector companies that receive corporate loans or loans for investment plans.

## Independent Review Mechanism (IRM)

The mandate of the Independent Review Mechanism is to provide people who are, or are likely to be, adversely affected by a project financed by the Bank Group as a result of violation of the Bank Group's policies and procedures with an avenue to request the Bank to comply with its own policies and procedures. It is managed by the AfDB's Compliance Review and Mediation Unit (BCRM).

## Integrated Safeguards System (ISS)

The set of AfDB policies that are designed to promote environmental sustainability and to prevent and mitigate undue environmental and social harm by integrating environmental and social management plans into its programs and projects.



### **Integrated Safeguards Tracking System (ISTS)**

The AfDB's platform for processing all environmental, social due diligence and sustainability issues of its programs and projects. Its basic purpose is to facilitate the verification of project compliance with the requirements set out in the Operational Safeguards, over the course of the project cycle. According to the ISS, the ISTS has three key functions: repository, tracking and access to information.

### **Involuntary resettlement policy**

A policy that applies when, because of a development project, people living in the project area are relocated, lose their shelter or assets, or have their livelihoods affected. It is further developed by Operational Safeguard 2 about land acquisition, population displacement and compensation, as part of the ISS.

### **Operational safeguards**

Five safeguards requirements that Bank clients are expected to meet when addressing social and environmental impact and risks. Bank staff use due diligence, review and supervision to ensure that clients comply with these requirements during project preparation and identification.

### **Program Based Operations (PBO)**

Policy and budget support financial operations, as well as regional or sectoral investments, which provide direct budget support tied to changes in national policies and institutions.

### **Safeguards and Compliance Department (SNSC)**

The AfDB's department responsible for mainstreaming E&S development considerations into Bank-financed operations in the public and private sectors through the implementation of the Integrated Safeguard System (ISS), and ensuring the oversight of ISS compliance.

### **Stakeholder Engagement Plan (SEP)**

Instrument to allow the effective consultation and participation of all affected communities, and where applicable, of vulnerable or disadvantaged individuals or groups, including indigenous peoples.

### **Strategic E&S Assessment (SESA)**

A tool to assess the E&S risks and likely impact of policy related lending, general or sector budget support or a range of programmatic lending or plans—as distinct from the use of ESIA for the environmental and social assessment of individual projects.



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# Executive Summary

The African Development Bank Group (“the AfDB”, “the Bank Group” or “the Bank”) adopted an Integrated Safeguards System in December 2013 to promote growth that is socially inclusive and environmentally sustainable. The ISS objectives are to:

- (i) avoid adverse impact of projects on the environment and affected people, while maximizing potential development benefits to the extent possible;
- (ii) minimize, mitigate, and/or compensate for adverse impact on the environment and affected people when avoidance is not possible; and
- (iii) help borrowers/clients to strengthen their safeguards systems and develop their capacity to manage environmental and social risks.

With the approval of the ISS, the Bank’s Board of Directors mandated Independent Development Evaluation (IDEV) to conduct an evaluation of the effectiveness of the ISS in achieving its safeguards objectives. The aims of the evaluation were to assess the relevance and robustness of its design; the efficiency of the system, process, resourcing and incentives in place; and its emerging effectiveness in achieving the Bank’s safeguards objectives. The evaluation pays particular attention to operations having triggered Operational Safeguard 2 (on involuntary resettlement, land acquisition, population displacement and compensation) and financial intermediary (FI) operations. It also explores factors affecting safeguards policy implementation, and identifies good/best practices wherever possible. The evaluation serves both accountability and learning purposes. Although the ISS was approved in December 2013, the system became operational only in July 2014. Therefore, this evaluation covers the AfDB’s safeguards work

for public and private sector operations from this date. The evaluation is formative and theory-based, uses multiple sources of data (including various samples of operations) and applies mixed methods.

The main findings from the evaluation are the following:

## **Is the AfDB’s ISS aligned with the practice of comparator organizations and identified best practice, and covering all the relevant emerging safeguards issues?**

**The Bank’s ISS architecture is on a par with international best practice. However, some areas for improvement were identified to better cover relevant emerging safeguards issues.** There is no need for a full update of the safeguards system, but selected ISS components could be strengthened. For instance, Operational Safeguard (OS) 5 does not include community health and safety, while comparators’ systems do; the Environmental and Social Assessment Procedures (ESAP) present gaps in the guidance for private sector operations and medium-risk operations; and some emerging issues are not fully covered in the existing guidance, such as gender inclusion, gender-based violence and disability. Although other multilateral development banks (MDBs) have developed more “free standing” OSs, the thematic coverage in the AfDB’s ISS is adequate. For instance, safeguards associated with the rights of indigenous peoples are dealt as a special case of “vulnerable groups”, which seems relevant for the African region. The ISS requirement in relation to obtaining Broad Community Support (BCS) for all projects is more stringent than that of other organizations. However, the Bank does not require Stakeholder

Engagement Plans (SEPs), especially for high-risk projects, as is the case in the best practice of other MDBs. Greater harmonization and alignment with the practices of other development partners would also reduce the burden on clients.

### **Is the ISS effectively supporting the Bank's strategic priorities, and relevant to the current portfolio and institutional changes?**

**The ISS is well aligned to the AfDB's Ten-Year Strategy and it rightly identified its contribution to the corporate objectives to ensure the sustainability of Bank-funded operations.** The new development priorities approved in 2015 (the High 5s) may pose additional challenges for the management of higher environmental and social dual role, namely mainstreaming E&S development considerations into Bank-financed projects and oversight of ISS compliance. The reforms instituted by the Bank's Development and Business Delivery Model since 2016 have significantly affected the way in which the safeguards function is carried out. The impact of the restructuring of the E&S safeguards function to ensure this dual mandate cannot be evaluated until some years of practice have passed. Various MDBs have adopted similar institutional arrangements, but there is no evidence regarding which model yields the best results.

**The Bank's E&S safeguards apply to all Bank operations. However, evidence suggests that they are still largely focused on investment project financing.** The Strategic Environmental and Social Assessment (SESA) is well adapted and applied to the Bank's portfolio of large regional integration infrastructure programs with wider E&S footprints. However, it has been applied in a very limited way to program-based operations (PBOs, a.k.a. budget support). The ISS is largely aligned with E&S best practice for financial intermediary (FI) lending (Category 4 operations), but some adjustments in the ISS content and its applications were identified. The current ESAP

are not sufficiently clear regarding the "rules of engagement" during treatment of safeguards in co-financed operations.

### **What is the level of overall compliance of the Bank's operations with the ISS across the project cycle?**

#### ***Quality of Bank E&S work before Board approval (identification, preparation and appraisal)***

**Challenges in the overall project identification and preparation process at the Bank hinder the quality of E&S support to clients during the early stages of the project cycle.** Currently, the maturity of the project E&S studies prepared by the borrower is not considered as a "readiness filter". E&S issues are considered in the Readiness Review at the concept note and appraisal stages. Although the proportion of operations approved with satisfactory E&S mitigation measures at appraisal has increased over time, there are still some cases where projects are approved with unsatisfactory E&S ratings. The E&S due diligence during early project stages is poorly documented.

**The quality of Bank E&S work between preparation and approval is strong, but various areas for improvement were identified.** The evaluation revealed five areas where the E&S categorization did not fully comply with the ISS (for instance, not including the E&S sub-categorization of Category 4 operations or categorizing all sector PBOs as low risk). However, the overall categorization was relatively systematic for the 190 projects desk-reviewed by the evaluation. Interviews with E&S and operations staff suggest that the validation of E&S assessment studies, including their public disclosure, have been rushed on various occasions to fit predetermined Board approval dates, having consequences for quality. The E&S assessment studies analyzed (Environmental and Social Impact Assessments [ESIAs], Environmental and Social Management Plans [ESMPs], and Resettlement Action Plans [RAPs]) show certain quality gaps and



an inconsistent practice for Category 2 operations. Some improvements over time were noticed for certain variables of the RAPs. Finally, the inclusion of E&S loan conditions and covenants is not standardized for the operations reviewed. SNSC has recently been working with the Bank's legal department to standardize the E&S clauses related to involuntary resettlement.

**Although the Bank complies overall with its disclosure requirements before Board approval, additional efforts are needed to boost the use of project E&S documents, mainly via the Bank website.** All Category 1 and 2 operations complied with the expected disclosure time before Board approval. However, the evaluation found that the documentation of the disclosure of Category 4 operations (FI operations) is not systematic. Given that full borrower E&S assessments are now published through the Bank's disclosure site, the preparation of the E&S assessment summaries by SNSC staff appears to be redundant. Civil society organizations reported a low use of the Bank's ISS documentation. For those who did, they mainly access this information through the Bank's website. However, the Bank's website lacks sufficient functionality to enable stakeholders to provide feedback on draft E&S assessments, as envisioned in the Disclosure and Access to Information Policy. This may partially explain why the Bank has received virtually no feedback on its disclosed E&S documents.

#### ***Quality of Bank E&S work during project implementation***

**The Bank's reporting on E&S covenants and mitigation measures was found to be poor and inconsistent in supervision reports for public sector operations.** Project reviews show that the section on E&S safeguards compliance in the Implementation Progress and Results Reports (IPRs) is usually completed with low candor. None of the reviewed documents provided detailed information about the implementation of E&S

mitigation measures using the template proposed in the ESAP ("safeguards results matrix"). The other types of supervision reports (aide-memoires and back-to-office reports, or BTORs) included very limited and vague E&S information. The reporting on E&S of Category 2 projects shows a lower level of compliance for the sample of projects analyzed. The evaluation identified examples of best practice (see Section 3.1.2).

**Information about the compliance with OS 2 is assessed as insufficient.** Reports tend to cover procedural aspects of monetary compensation to project-affected persons (PAPs), without providing information about broader resettlement activities and their outcomes (adequate compensation, stakeholder engagement, level of functionality of the project-level grievance redress mechanism, addressing the needs of vulnerable groups, livelihood restoration, etc.).

**The quality of Bank E&S work during implementation for FI lending is inadequate.** This echoes the findings of previous Bank reviews and other MDBs' evaluations captured in the 2018 IDEV evaluation synthesis on lines of credit (LOCs). The evaluation identified some good practices in the AfDB's supervision of equity funds. Information about the E&S risks of FI sub-projects is mostly lacking in Bank supervision reports, despite recent efforts to improve the templates for LOC operations. The ESAP do not provide specific guidance about E&S reporting of non-sovereign operations (NSOs), and FI operations in particular. The evaluation did not find any documented evidence that the AfDB's team had verified that FI-A operations notified or submitted ESAs/ESMPs on their high-risk sub-projects.

**Whereas all loan agreements reviewed include the requirement for the borrowers to send to the Bank periodic reports on E&S progress, very few of these reports could be accessed.** The evaluation found borrowers' progress reports for five of the 30 operations that triggered OS 2 and two of the 38 Category 4 operations

that should have done so. It is unclear to what extent this reflects that these documents are not produced by the borrower, are not transmitted to the Bank, or are not adequately archived. The field missions confirmed that the FIs and sub-projects visited have many more E&S documents to assess ISS compliance than the ones found in the Bank's databases. This is a major constraint for effective Bank implementation support and compliance verification.

### **What is the performance of Bank operations in relation to Operational Safeguard 2 (involuntary resettlement, land acquisition, population displacement and compensation)?**

**The information about RAP implementation and progress included in the Bank's documents does not allow for an assessment of the implementation of RAP provisions and their results on people's livelihoods.** For instance, it is not possible to conclude whether the Bank's ISS objective of ensuring that compensation at full replacement cost is applied or whether the compensation packages resulted in an improved standard of living. The coverage of OS 2 aspects in the reviewed borrowers' reports is very diverse.

**A lack of sufficient resources is the most often cited challenge with RAP implementation.** The conditions under which borrowers can use loan proceeds to finance resettlement are not clear, according to interviews with Bank staff. Complex national institutional frameworks, and long procedures for land acquisition and compensation, are not sufficiently considered in the timeline and budget of the Bank's operations. The Bank's involuntary resettlement requirements are applied uniformly across the continent, but variations in regional member countries' (RMCs) legal frameworks and policies on land management affect land acquisition for projects, and therefore the timeliness of project implementation.

### **What is the E&S performance of the FI lending (Category 4 operations) supported by the Bank?**

**The evaluation found mixed E&S performance for the FI operations funded by the Bank since July 2014.** Six were rated satisfactory, six unsatisfactory, and the rest (44) could not be evaluated either due to deficiencies in the E&S information (26), their recent approval or their low level of E&S risks (FI-C operations not requiring further E&S management). Equity funds performed well for several of the E&S indicators, possibly due to the limited number of sub-projects where they invest, the involvement of professional international-level equity fund managers, including E&S experts, and previous exposure to MDBs' E&S requirements.

**E&S performance of FIs at appraisal was found to be strong for the 56 active FI operations reviewed, but their implementation was difficult to evaluate.** This positive result at appraisal is encouraging in relation to the situation reported in 2011 by the AfDB's Fund for African Private Sector Assistance (FAPA) training project, where only 38 percent of 31 FIs had an ESMS in place. However, the actual implementation of FIs' ESMSs could not be evaluated in all cases due to missing reports or poor report quality. Half of the 10 evaluable FI operations implemented their ESMS successfully, including equity investments in four multinational funds and one LOC for a micro, small and medium-enterprises (MSME) bank in Nigeria.

**The 11 FI sub-projects visited in Nigeria and Kenya met the AfDB's E&S requirements better than the FIs visited.** The lower performance of FIs compared with their sub-projects may be explained by the poor FI compliance with AfDB reporting requirements. This is consistent with the 2008 World Bank (WB) Independent Evaluation Group (IEG) findings when it evaluated FI operations and MSMEs. IDEV's visits identified several factors for successful E&S performance and best practice to manage E&S risks (See Section 3.2.2).

## What have been the Bank's efforts to strengthen borrowers' safeguards systems and to develop their capacity to manage E&S risks?

**The advancement on the third ISS objective has been limited due to budget and staff shortages at the Bank's E&S function. It continues to be a relevant objective, as indicated by all types of interviewees for this evaluation.** During the first two years since the ISS became operational, the Bank published various relevant studies that looked beyond the project-level safeguards work: (i) a 2015 assessment regarding the use of country systems for E&S safeguards; (ii) a 2016 review of implementation of the involuntary resettlement policy; and (iii) a 2016 study on indigenous people. In addition, the Bank provided comprehensive support to develop the E&S capacities of the FI sector at the beginning of the evaluation period (2012-15), but this was not maintained subsequently. At that time, the Bank was the only MDB to have such a comprehensive capacity-building program for the FI sector. Since the end of this training, the Bank has provided relatively little technical assistance to develop ESMs for FIs. According to interviews with Bank officials, the FI portfolio has grown in low-income countries since 2014. It is becoming increasingly challenging for the Bank to ensure ISS compliance of smaller FIs in less developed sustainable-banking environments. Other MDBs, such as the AsDB, have undertaken considerable capacity building of "country safeguards systems". However, there have not been systematic evaluations to draw conclusions on their success.

## What are the factors that facilitate or constrain the implementation of the ISS?

**The most significant constraint to the implementation of the ISS during the evaluation period is the low number of E&S specialists at the Bank.** The number of E&S staff at the Bank has never been more than 20 people, supported

by some long-term consultants. Both the analysis of the numbers of E&S specialists since 2014 and their comparison with sister organizations show that the E&S function at the AfDB has been (and is) severely understaffed. Most of the E&S safeguards emerging issues are focused on social or "human" concerns. However, the number of Bank social specialists has been especially low, being a constraint to both effectively supporting borrowers to implement OS 2 requirements and covering emerging issues. The evaluation identified some ad-hoc cases of fruitful collaboration between the teams dealing with climate change, gender and safeguards, and with positive improvements of E&S work quality.

**Inadequate AfDB post-approval E&S support creates a significant reputational risk for the Bank.** With the current level of E&S staffing, it is not possible to support supervision of 50 percent of the ongoing high-risk portfolio. Most (60 percent) of the time of E&S specialists is focused on pre-approval review, and validation and preparation of summaries of E&S assessments produced by borrowers. The high workload of SNSC staff restricts any meaningful and sustained engagement with borrowers across the project cycle. This was also confirmed by the interviews with Bank operational staff and the analysis of participation of E&S experts in project field supervisions. Their participation in supervision task teams was found to be especially low for the FI lending portfolio and Category 2 operations.

**The evaluation found serious deficiencies in the Bank's archiving system of E&S documents to verify the operations' compliance with the requirements of the ISS over the project cycle.** The Integrated Safeguards Tracking System (ISTS) has not been fully designed and operationalized as expected, and was not systematically used during the evaluation period. Databases of other Bank departments also have limited E&S documentation. Poor archiving affects both the ability of the Bank to ensure compliance and the dissemination of knowledge of E&S best practice.



**The Bank discontinued conducting E&S safeguards compliance reviews in 2015, despite their significant potential to improve Bank due diligence and borrowers' performance, and feed lessons into ongoing operations.** This useful self-assessment tool has been hardly used due to budget and staff shortages at the E&S function. In parallel, the Bank's Board extended the mandate of the Compliance Review and Mediation Unit to conduct "spot check advisory reviews of project compliance and advisory services" in 2015. Most of them have been focused on E&S safeguards issues. No other MDB has broadened the mandate of its Independent Accountability Mechanism in this way.

**The quality of E&S work during implementation is not part of the Bank's key performance indicators (KPIs), despite ongoing Bank-wide efforts to emphasize quality and results more strongly.** Timetables for project approval do not always consider the maturity of resettlement planning and environmental assessments, which affects the quality of the E&S studies cleared by the Bank. Corporate reporting is still focused on Bank E&S safeguards work before Board approval, with little attention to actual safeguards results. The articulation between Bank operations and E&S staff seems to be improving in terms of task-team mission planning. The ongoing review of the Delegation of Authority Matrix (DAM) and the Operations Manual will be key to ensuring that E&S due diligence is performed as expected, to achieve the ISS policy objectives.

**The low level of knowledge of borrowers about the ISS is a key factor affecting the E&S performance of operations.** Borrowers are responsible for developing the project E&S assessments and reporting on the implementation of the agreed E&S mitigation measures. However, borrowers' awareness of the ISS requirements is a key challenge for project E&S performance, along with the gaps between the ISS requirements and national legislation. The Bank has not provided sufficient training and sensitization to project teams regarding the ISS. Low numbers of E&S specialists have hindered the

possibility of systematically engaging with staff from Project Implementation Units to ensure adequate understanding of the ISS requirements.

**Bank operations staff have varied levels of knowledge regarding the ISS requirements.** Staff from public infrastructure sectors exhibited good knowledge of E&S risk management, while staff dealing with PBOs and FI operations had only a limited understanding of E&S safeguards. The available ISS training only covers a generic introduction to the ISS, which is not sufficiently targeted to the specific ISS requirements for various types of lending products. SNSC has not developed an induction training for new E&S staff and consultants, or ensured regular access for the team to (external) training on E&S emerging issues.

**The guidance volumes prepared as part of the ISS rollout are comprehensive. However, some additions are needed to assist Bank staff and borrowers to systematically apply the ISS requirements.** After a thorough document review of the E&S systems of the AfDB and other sister MDBs, together with interviews and focus group discussions, the evaluation identified gaps in: (i) addressing the increasing complexity of involuntary resettlement; (ii) how to integrate gender and disability issues in safeguards work, when applicable; (iii) the use of third-party monitoring to improve safeguards implementation and reporting, as well as compliance monitoring; (iv) engaging with stakeholders throughout the project cycle; and (v) how to conduct E&S due diligence of associated facilities.<sup>1</sup>

## Recommendations

**Recommendation 1: THE BANK'S E&S RESOURCES** – Increase the Bank's E&S resources to better support borrowers and clients to manage E&S impact and risks across the project cycle, by:

- enhancing the AfDB E&S team's capacities, numbers and skillsets to ensure that E&S implementation support covers all lending

products, including FI operations, as well as medium-risk (Category 2) operations; and

- establishing systematic cross-support linkages between the teams dealing with E&S safeguards, climate change and gender.

**Recommendation 2: INFORMATION SYSTEM AND ACCOUNTABILITY** – Develop an integrated and automated management information system across the project cycle and enhance SNSC's oversight function to inform strategic decisions and foster accountability, by:

- revamping the Integrated Safeguards Tracking System (ISTS) to ensure proper archiving of key ISS-compliant documents and linking it to other Bank-wide operations databases, maintained both by public and private sector operations departments; and
- resuming the Management-led safeguards compliance reviews/E&S audits.

**Recommendation 3: ISS COVERAGE** – Strengthen the content and guidance of certain selected safeguards components to ensure full alignment with international best practice, by:

- extending the coverage of Operational Safeguard 5 to community health and safety issues;
- making Stakeholder Engagement Plans mandatory for Category 1 operations;
- clarifying the relationship between the 2003 Involuntary Resettlement Policy and Operational Safeguard 2; providing clarity on the conditions for using loan proceeds to fund involuntary resettlement and compensation; and further developing the existing guidance to encompass the increasing complexity of involuntary resettlement processes;
- ensuring that the revised ESAP: (i) clarify co-financing scenarios and their implications

for E&S safeguards; (ii) provide additional templates for implementation support and borrower reporting for private sector operations, including FI lending; and (iii) further detail the requirements for Category 2 operations; and

- developing additional guidance to: (i) better address the specific needs of project-affected vulnerable groups (gender aspects, gender-based violence and disability, among others); (ii) provide clarity about the use of third-party monitors; (iii) improve stakeholder engagement; and (iv) conduct E&S due diligence of operations' associated facilities.

**Recommendation 4: QUALITY OF BANK E&S WORK BEFORE APPROVAL** – Strengthen the quality by:

- reviewing the Readiness Review process to ensure that project E&S assessment studies are completed and disclosed before the end of the preparation phase;
- ensuring compliance with the E&S sub-categorization of FI operations and standardizing the loan covenants regarding E&S reporting for FIs (Category 4 operations);
- reviewing the Environmental and Social Management Systems (ESMSs) of companies receiving AfDB corporate loans to ensure that the proposed E&S assessment framework fits their needs to manage E&S risks, and categorize them accordingly;
- piloting Strategic Environmental and Social Assessments (SESAs) for medium-and high-risk sector program-based operations (PBOs). Provide additional guidance on the E&S screening and categorization of PBOs, and further develop how to conduct SESAs; and
- formalizing the Bank's full disclosure of borrowers' E&S assessment documents; eliminating the ESAP requirement for Bank E&S staff to summarize them; and developing

the functionality for stakeholders to provide feedback on E&S assessment reports on the Bank's website.

**Recommendation 5: QUALITY OF BANK E&S WORK DURING IMPLEMENTATION** – Strengthen safeguards reporting to sharpen the focus on delivery and results, by:

- tracking and reporting on the E&S implementation support provided to borrowers;
- ensuring candid reporting on the fulfilment of E&S covenants in Bank's supervision reports;
- enforcing the use by borrowers of the "safeguards results matrix" to report on progress of E&S mitigation measures, reviewing them, providing feedback to borrowers and summarizing this information in the Bank's supervision reports to inform E&S ratings;
- improving the reporting on resettlement measures, including information regarding all RAP provisions and their effects on people's livelihoods, beyond procedural aspects and monetary compensation of PAPs; and
- improving communication with borrowers regarding ISS reporting requirements for various types of lending instruments, and avoiding

duplication by harmonizing them with other partners' reporting requirements.

**Recommendation 6: ISS TRAINING** – Reinforce the knowledge and awareness of internal and external stakeholders on the ISS requirements, by:

- developing additional tailored training on the ISS requirements for specific lending products, prioritizing those for FI operations, and deepening the training on managing involuntary resettlement processes;
- developing induction training for new E&S staff and consultants, and expanding their access to training on emerging safeguards issues;
- systematically associating an E&S specialist in project launching missions to reinforce the knowledge of Project Implementation Units regarding the specific ISS requirements and identify capacity gaps; and
- launching discussions with other development partners on opportunities to jointly organize capacity building in E&S performance for staff of executing agencies of Bank-funded projects, the international and local E&S consulting sector, national environment and land management regulatory agencies, and civil society organizations.

# Management Response

Management welcomes IDEV's report on the independent evaluation of the African Development Bank Group's Integrated Safeguards System (ISS) covering the period 2014 till date. Since becoming operational in July 2014, the ISS has been a key tool in fulfilling the Bank's agenda to promote sustainable development outcomes by protecting the environment and people from the potentially adverse impact of AfDB-financed projects. The evaluation has highlighted some successes in the design and use of the ISS. It has also noted some weaknesses which are mainly caused by operational issues and the significant lack of human and financial resources needed in the SNSC department for the implementation of the ISS requirements. Management therefore recognizes that the evaluation exercise is timely, as it will assist in strengthening the ISS design and implementation. This is important to protect the Bank from operational and reputational risks associated with non-compliance on environmental and social (E&S) safeguards requirements. This response directly addresses the major findings and recommendations in the IDEV report as highlighted in the summary report.

## Introduction

The IDEV ISS evaluation is timely and important for improving the Bank's performance in meeting its E&S safeguards agenda. It is expected to bolster recent efforts by Management to deliver the objectives of the ISS, which are principally to support Bank borrowers and also build their capacity in avoiding, mitigating or compensating for adverse impact to the environment and project affected people. Since the adoption of the ISS in 2014, the Management and Executive Board of the Bank established the new Safeguards and Compliance Department (SNSC) under the authority of the Senior Vice President in 2016. This was in recognition of the importance of E&S sustainability in achieving the intended outcomes of the Bank's High 5s. The establishment of the department aimed to ensure a stronger leadership needed in managing the inherent sensitive nature of E&S safeguards issues. It is also a reflection of the importance and broadening scope E&S safeguards management in other multilateral development institutions. Therefore, the IDEV report is a useful independent x-ray on the Bank's ISS as a tool that enhances the Bank's performance.

Management acknowledges the successful areas of the ISS design and implementation highlighted by the IDEV:

- The scope and architecture of the ISS is well aligned with international best practices in comparator MDB institutions.
- The ISS remains well aligned and relevant to the Bank's strategic priorities, especially the Bank's Ten Year Strategy (TYS), 2013-2022, and the High 5 priority agenda.
- The Bank has reported a positive trend with the percentage of Bank-approved public sector operations with satisfactory E&S rating at Readiness Review (RR) of the Project Appraisal Reports (PARs) from 2014 to 2018.
- E&S safeguards performance at appraisal was found to be strong for the 56 active Financial Intermediary (FI) operations reviewed. The evaluation noted that this was encouraging in relation to the situation reported in 2011 by the AfDB Fund for African Private Sector Assistance (FAPA) training project, where only 38% of 31 FIs had an ESMS in place.

Overall, Management also agrees with the evaluation recommendations that include:

- The need to increase E&S safeguards resources (human and financial). This is recommended firstly to improve the quality of E&S safeguards outcomes across the project cycle. Secondly, to improve the Bank's engagement with external stakeholders and building client capacity.
- Develop an integrated and automated E&S management information system, which will be linked to the Bank-wide operations databases, to improve access to information and foster accountability across the project cycle.
- Strengthen the content and guidance of the ISS components, especially on community health and safety, preparation of Stakeholder Engagement Plans (SEPs), clarifying use of equivalence assessments in co-financing situations, coverage of gender aspects such as gender-based violence (GBV) and disability and enhanced guidance on conduct E&S due diligence of operations' associated facilities.

## Relevance and Strategic Alignment of the Bank's E&S Safeguards

It is notable that the evaluation found the overall architecture, scope and application of the ISS to be generally well-aligned with the safeguards systems of comparator organizations and international best practices. Management concurs that there are some areas where the scope and coverage of the ISS will require further refinement and additional guidance to better align the ISS with international best practices. These include emerging subjects, such as gender inclusion, gender-based violence and disability, which are also being addressed by other comparator institutions. Management commits to strengthening the content and guidance materials of the ISS components related to these topics to further clarify them following required consultations with internal and external stakeholders which will commence in 2019.

## Effectiveness of The Bank's E&S Safeguards

In general the evaluation exercise noted that the quality of E&S safeguards outcomes and processes were generally strong prior to Board approval of projects. However, there are weaknesses in (a) the effective documentation of the E&S implementation support provided to borrowers and clients, (b) effective use of the readiness review mechanism as a decision making tool, (c) formalizing the E&S safeguards information disclosure, and (d) strengthening project stakeholder consultation. For the project implementation phase, two main challenges need to be addressed: (e) the required assistance to the borrower/client through the mandatory implementation support missions and monitoring activities, and (f) the standardizing and reporting on the fulfilment of E&S loan conditions.

### Effectiveness prior to Board approval:

Management has noted the evaluation's assessment that critical E&S safeguards outcomes like risk categorization has been robust at the Bank and aligned with practices in comparator institutions. However, it also acknowledges the need to improve both the documentation of E&S safeguards outcomes and extend the scope of elements that are being tracked. This starts from the risk categorization process which will henceforth be done entirely on an electronic platform (the ISTS) for documentation and will also be reinforced with more refined assessment criteria including country fragility information. To achieve this, Management has already introduced a revamped internal review process with additional quality control (QC) provisions within SNSC. This aims to foster greater accountability with reinforced coordination of activities at the regional offices and technical guidance and leadership provided from HQ staff including the SNSC Director and Lead Specialists. Through revision of the Environmental and Social Assessment Procedures (ESAP) and other Bank-wide instruments such as the revised Operations Manual and the Delegation of Authority Matrix (DAM), Management will further clarify outputs and responsibilities at each stage of the project cycle. Management would also improve

clarity in the E&S assessment procedures (ESAP) for the application of the ISS with an approach that recognizes the specificities of different lending instruments, clients and transaction types.

The Bank's Readiness Review process will also be revamped to ensure a sharper focus on E&S compliance. This will have the SNSC department as part of relevant project review committees. It will highlight failure to comply with E&S safeguards requirements, indicating when a project proposal is not ready to proceed to the next stage. Projects that do not meet the requirements shall thus be spotted early and remedial actions applied before Board consideration. In addition, SNSC department will be represented in relevant project review committees where decisions to proceed to the next stage are made.

Management has already taken a decision that henceforth, Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plans (RAP) full reports (including the summaries) prepared and disclosed by clients will be made accessible to public in compliance with the ISS requirements. To enhance the functionality of the Bank's website to enable stakeholder feedback, Management will undertake improvements on (i) the Integrated Safeguards Tracking System (ISTS) and (ii) the features of the website as envisioned in the Disclosure and Access to Information (DAI) Policy.

With respect to improving stakeholders' engagement during project preparation, Management will develop guidelines to borrowers for the preparation of Stakeholders Engagement Plans (SEPs) which will be made mandatory for all high risk projects. Management has already engaged in internal consultation to strengthen liaison between the SNSC department and other concerned units of the project ecosystem. For example, SNSC and the Legal Department are reviewing loan conditions to standardize the most commonly used E&S clauses for all operations. This will address the recurrent loan conditions relevant to involuntary resettlement and compensation.

### **Effectiveness during project implementation:**

The evaluation noted weaknesses in the Bank's E&S safeguards activities during project implementation which were mainly linked to gaps in (a) reporting E&S compliance in project implementation and supervision reports, (b) follow-up on the progress of resettlement action plans, and (c) periodic reporting from FI clients.

Management will work to correct these gaps building on the good practices that were noted by the evaluation. As noted by the evaluation, loan agreements consistently include these requirements for E&S compliance reporting. However, there are weaknesses in monitoring and reporting the enforcement of the agreements during the implementation support engagement with clients. Consequently, as part of the ongoing ESAP update, Management is preparing reporting templates covering various aspects of project E&S safeguards reporting. Management will ensure that portfolio task managers shall be accountable to ensure that E&S compliance reports are part of client reporting activities during project implementation. It should be noted that achieving these corrective measures will require additional human and financial resources to the SNSC department.

### **Effectiveness on Operational Safeguards 2:**

The Operational Safeguards 2 which caters to issues of involuntary resettlement, land acquisition and compensation forms an important component of the ISS. It spells out the requirements to be met by borrowers in preparing and implementing projects that involve the aforementioned issues. The evaluation noted a number of elements that impede the effectiveness of the ISS in meeting its objectives on these issues. These elements include, (a) gaps in the provision of adequate funding for the compensation costs and (b) gaps in harmonization between Bank requirements and extant legal provisions in project host countries. It is also common for borrower countries to seek to apply their counterpart funding of projects towards compensation and resettlement costs. However, there has been lack of clarity in the Project Appraisal Reports (PAR) on whether the resettlement



cost is well budgeted in the project total cost and the money is full mobilized and available before the Board approval. Going forward, Management will ensure this clarification is provided for each project that is subject to resettlement as delay and shortcomings in payment of compensation appeared to be not only the main cause of infrastructure projects' implementation delays, cost overruns and reputational risk to the Bank.

Given complex land ownership and land acquisition issues in regional member countries (RMCs), Management will continue to enhance support to clients during RAP preparation and implementation phase. This will entail making provisions in the project preparation time schedule for the preparation of RAPs, ensuring greater emphasis on the gap analysis between Bank requirements and country requirements which will inform approaches to effective RAP implementation.

#### **Performance of Bank supported FI lending:**

Management acknowledges that the evaluation exercise noted the strong performance of E&S safeguards in the appraisal phase of Bank supported FIs, especially for equity investments which use international-level E&S experts as part of the fund managers' team. This demonstrates the Bank efforts, during appraisal, to ensure the presences of qualified E&S safeguards capacity in its FI investment selection criteria. However, Management agrees with the evaluation on the needed financial and human resources to ensure a consistent and rigorous follow-up on these FI transactions and their sub-projects during the implementation phase of the projects on the implementation of their respective Environmental and Social Management Systems (ESMSs).

### **Capacity Building for Clients and Stakeholders**

Management acknowledges the observations made in the evaluation report that the Bank should do more in delivering the objectives of the ISS with respect to strengthening borrowers' E&S safeguards systems. However, it is also notable

that the Bank has significant achievements in this area. For example, the Bank has led other MDBs to develop and implement the first continent-wide comprehensive training activities for the FI sector in the evaluation period of 2012-2015 and also produced a series of knowledge products within that period.

Management agrees that while the Bank expects its borrowers to meet the requirements of the ISS for individual investments, its strategic goal must be to support these partners to promote inclusive and sustainable growth through strengthening and applying their own country and/or client E&S safeguards systems. However, the evaluation notes that capacity building to strengthen country systems and clients in general has been limited due to budget and staff shortages.

As a first step in addressing these gaps, Management is developing a comprehensive on-line training course for Bank staff and clients as part of the Operation Academy Gateway to be rolled out in 2020. Management will also develop training targeted to the specific ISS requirements for various types of lending products especially linked to FIs, PBOs etc. Management is currently taking stock of the previous country systems evaluation conducted in 2015. The lessons learned from the stocktaking will feed into future work on country systems support, including identification of capacity building needs.

### **Factors Affecting ISS Implementation**

In addition to the findings on ISS and the performance of the Bank and the implementation of the ISS, the evaluation points to several factors specific to the Bank that provide the context for the findings. These factors include (a) low level of knowledge of borrowers and Bank operations staff on the requirement of ISS (b) deficiencies in the Banks archiving system for E&S documents (c) lack of clarity and guidance materials on ISS requirements (d) lack of consistent efforts on implementation support to clients and E&S compliance reviews/E&S audits.



The evaluation points to low staffing as one of the main causes: *“The most significant constraint to the implementation of the ISS during the evaluation period is the low number of E&S specialists at the Bank. The number of E&S staff at the Bank has never been more than 20 people, supported by some long-term consultants. Both the analysis of the numbers of E&S specialists since 2014 and their comparison with other similar organizations show that the E&S function at the AfDB has been (and is) severely understaffed”.*

The evaluation noted that with the current level of E&S staffing, it is not possible to support supervision of 50% of the high-risk ongoing portfolio. The high workload of SNSC staff restricts any meaningful and sustained engagement with borrowers across the project cycle. Management also notes that this evaluation finding echoes the ones from past audits and evaluation exercises, which have recommended to the Bank to strengthen its capacity to deliver on its E&S safeguards requirements.

Overall, Management concurs with the observations attributed to low staffing for E&S safeguards management at the Bank that has negatively impacted the level of implementation support to operations, with potential serious reputational risks to the Bank. Management agrees with the recommendation to increase the Bank E&S resources to better support borrowers to manage E&S risks throughout the project cycle. Moreover, changes in context and portfolio also explain the need to revisit the resources available for E&S work. These include: (a) the increased E&S risk of the portfolio in recent years, explained by the approval of bigger infrastructure operations (b) the mounting complexity of social safeguards issues to be covered and (c) potential further expansion of the E&S due diligence to other types of complex lending instruments like PBOs and various guarantee instruments.

Management has also noted the point raised by the evaluation exercise that the quality of E&S safeguards results is not part of the Bank's key risk and performance indicators. Management agrees on the need to emphasize the measurement and reporting of actual implementation outcomes and results of the E&S mitigation measures agreed with borrowers. To emphasize the significance of E&S safeguards at implementation phase, Management has set key performance targets to be achieved covering both preparation and implementation phase. These include; (a) 100% of the operations under preparation to be fully compliant with the ISS requirements (proper risk categorization, high-quality standard documentation disclosed in time) prior to appraisal; and (b) 100% of the operations under implementation are rated satisfactory for E&S performance (compliance, timely implementation of E&S measures, reporting and archiving) by 2025. The Bank has also made commitments to strengthen E&S compliance at both appraisal and through implementation support to borrowers/clients. These efforts will be enabled by a more effective information management system (ISTS), linked to Bank-wide databases, which would address the issue of weak information archiving and retrieval system for E&S safeguards documentation.

## Summary of the Way Forward

Management has found this independent evaluation a useful exercise. It has noted achievements and gaps with respect to the relevance and effectiveness of the Bank's ISS. These analyses will complement efforts to improve the management and performance of the ISS. The evaluation has also indicated critical factors, particularly the availability of financial and human resources which would be pivotal to achieving the enhancement and corrective actions which are set out in the Management Action Record below. Management agrees with the recommendations.

Management action record	
IDEV recommendations	Management's response
<p><b>THE BANK'S E&amp;S RESOURCES</b> - Increase the Bank's E&amp;S resources to better support borrowers and clients to manage E&amp;S impact and risks across the project cycle, by</p> <p><i>a. Enhancing the AfDB E&amp;S team capacities, numbers and skillsets to ensure E&amp;S implementation support also covers all lending products, such as the FI operations, as well as medium-risk (Category 2) operations; and</i></p> <p><i>b. Establishing systematic cross-support linkages between the teams dealing with E&amp;S safeguards, climate change and gender.</i></p>	<p><b>AGREED.</b> Management will prepare and implement a Safeguards Strengthening Action Plan (SSAP 2020-2025; GCI action # 10) to ensure E&amp;S mainstreaming and compliance across the project cycle. This includes adequate resourcing of the SNSC Department. The improvement in personnel will be based on the Bank portfolio and manageable workload for staff, and will target geographical deployment (decentralization) based on the size and complexity of the regional portfolios. The improvements in safeguards budget will be based on applicable budgeting coefficients and paced as dictated by available budget with the aim of achieving up to 15% of projects' operational budgets, dedicated to SNSC department work program starting from 2020. [SNVP: Q4 2022].</p> <p><b>AGREED.</b> Management will continue to encourage and strengthen collaboration within operation Task Teams, in the spirit of one-bank principle and under the responsibility of the Task managers, to ensure that inputs from the team members of these three functions are substantially and systematically captured throughout the project lifetime. [All Sector Departments, RDGs, SNSC, Gender, CC: Q2 2021]</p>
<p><b>INFORMATION SYSTEM AND ACCOUNTABILITY</b> - Develop an integrated and automated management information system across the project cycle and enhance SNSC's oversight function to inform strategic decisions and foster accountability, through:</p> <p><i>a. Revamping the Integrated Safeguards Tracking System (ISTS) to ensure proper archiving of ISS-compliant key documents and linking it to other Bank-wide operations databases, both for public and private sector operation departments; and</i></p> <p><i>b. Resuming the management-led safeguards compliance reviews/E&amp;S audits.</i></p>	<p><b>AGREED.</b> The ISTS information management system is currently undergoing an upgrade and should be operational by 2020. The ISTS will facilitate archiving, retrieval, tracking and dissemination of all project E&amp;S safeguards documentation (Categorization memos, BTORs, Aide-memoires, implementation support mission reports, etc.). The ISTS will also be linked to the ongoing efforts by CHIS, SNOQ and PINS to improve the project management information across the project cycle. [SNSC, with CHIS, PINS: Q4 2020]</p> <p><b>AGREED.</b> Management will develop and implement a comprehensive approach of compliance reviews and E&amp;S compliance audits with the objective of ensuring that all high and medium risk are performing according to ISS and national legislations' requirements. [SNSC: Q4 2020]</p>
<p><b>ISS COVERAGE</b> - Strengthen the content and guidance of the Integrated Safeguards System components, through:</p> <p><i>a. Extending the coverage of Operational Safeguards 5 to community health and safety issues;</i></p> <p><i>b. Making Stakeholder Engagement Plans mandatory for Category 1 operations;</i></p> <p><i>c. Clarifying the relationship between the 2003 Involuntary Resettlement policy and the Operational Safeguards 2;</i></p> <p><i>d. Providing clarity on the conditions for using loan proceeds to fund involuntary resettlement and compensation;</i></p> <p><i>e. Further developing the existing guidance to encompass the increasing complexity of involuntary resettlement processes;</i></p> <p><i>f. Ensuring that the revised ESAP (i) clarifies co-financing scenarios and their implications for E&amp;S safeguards; (ii) provides additional templates for implementation support and borrower reporting for private sector operations, including FI lending, and (iii) further details the requirements for Category 2 operations; and</i></p>	<p><b>AGREED.</b> Management will review and consider extending the coverage of Operational Safeguards 5 within the policy and procedural requirements of the ISS. This will be guided by internal and external consultation. [SNSC: Q4 2021]</p> <p><b>AGREED.</b> Management will elaborate standard guidance and make the inclusion of stakeholders' engagement plans a mandatory requirement for high risk projects in the revised ESAP. [SNSC: Q2 2020]</p> <p><b>AGREED.</b> Management will provide clarity within the scope of the updated ISS that the 2003 IR policy is covered and replaced with OS2. In fact, it's been the interpretation and practice in SNSC. [SNSC: Q2 2021]</p> <p><b>AGREED.</b> Management will undertake internal consultations that will inform the option(s) to be adopted. In the interim, Management shall make it mandatory for Task team of projects with significant resettlement costs, for borrowers or clients, to provide evidence for the availability of funds for this purpose as part of the appraisal report. [SNSC, PGCL: Q4 2020]</p> <p><b>AGREED.</b> Management will develop a new guidance note on the involuntary resettlement processes. Management will consult and seek lessons from other MDBs. [SNSC: Q4 2020]</p>

Management action record	
IDEV recommendations	Management's response
<p><i>g. Developing additional guidance to (i) better address the specific needs of project-affected vulnerable groups (gender aspects, gender-based violence and disability, among others); (ii) provide clarity about the use of third-party monitors; (iii) improve stakeholder engagement; and (iv) conduct E&amp;S due diligence of operations' associated facilities.</i></p>	<p><b>AGREED.</b> Management will revise the ESAP which will include an update of the reporting templates to align with international best practice. The revision will also provide additional clarification on the identified topics. [SNSC: Q4 2020].</p> <p><b>AGREED.</b> Management will update the ISS/ESAP to provide clarification and sensitize stakeholder on these topics. [SNSC: Q2 2021]</p>
<p><b>QUALITY OF BANK E&amp;S WORK BEFORE APPROVAL</b> - Strengthen the quality through:</p> <p><i>a. Reviewing the Readiness Review process to ensure that project E&amp;S assessment studies are completed and disclosed before the end of the preparation phase;</i></p> <p><i>b. Ensuring compliance with E&amp;S sub-categorization of FI operations and standardizing the loan covenants about E&amp;S reporting for FIs (Category 4 operations).</i></p> <p><i>c. Reviewing the Environmental and Social Management Systems (ESMS) of companies receiving AfDB's corporate loans to ensure that the proposed E&amp;S assessment framework fits to their needs to manage E&amp;S risks, and categorize them accordingly;</i></p> <p><i>d. Piloting Strategic Environmental and Social Assessment (SESA) for medium and high-risk sector program-based operations (PBOs). Additional guidance on the E&amp;S screening and categorization of PBOs and on how to conduct SESAs should be further developed; and</i></p> <p><i>e. Formalizing the Bank's full disclosure of borrowers' E&amp;S assessment documents; eliminating the ESAP requirement for Bank E&amp;S staff to summarize them; and developing the functionality for stakeholders to provide feedback on E&amp;S assessment reports on the Bank's website.</i></p>	<p><b>AGREED.</b> Management will revamp the Readiness Review process to make compliance to E&amp;S requirements a mandatory decision criteria that shall be met before project proceed across the project cycle prior to Board approval. Management has also updated the quality assurance tools such as categorization and readiness review templates at PCN and PAR. [SNOQ, SNSC Q1 2020]</p> <p>SNSC will be a member of all the committees responsible for quality assurance and compliance control, both at concept and appraisal stages. According to the revised DAM, these are: (i) the Project Brief Review Committee (BRC); (ii) the Technical Quality Assurance Committee (TQAC); (iii) the Credit Risk Committee (CRC); (iv) the Technical Investment Committee (TIC); and (v) the Operations Committee (OPSCOM). SNSC will have the avenue to flag any non-compliance. [SNSC, SNOQ: Q1 2020]</p> <p><b>AGREED.</b> Management will form an ad hoc FI focal group that will ensure that all new FI transaction are rigorously screened on a case by case basis to ensure the prescription and application of appropriate safeguards instruments. [SNSC with PFID: Q4 2020]</p> <p><b>AGREED.</b> Management will ensure that the ESMS of all new corporate loans are reviewed rigorously to ensure that the proposed E&amp;S assessment framework fits to their needs to manage E&amp;S risks, and categorize them accordingly [ SNSC, PFID: Q2 2020]</p> <p><b>AGREED.</b> The ESAP will be updated to reflect the strengthened responsibility of clients in preparation of SESAs to support the implementation of sector program-based operations. Management will ensure that all new PBOs are rigorously screened on a case by case basis to ensure the prescription and application of appropriate safeguards due diligence [SNSC with ECGF: Q2 2020]</p> <p><b>AGREED.</b> Management will formalize the full disclosure of borrowers' E&amp;S assessment documents. Management will also insert a functionality that will enable stakeholders to provide feedback on assessment documents as envisioned in the Bank's Disclosure and Access to Information Policy (2012). [SNSC, PSEG: Q2 2020]</p>
<p><b>QUALITY OF BANK E&amp;S WORK DURING IMPLEMENTATION</b> -Strengthen safeguards reporting to sharpen the focus on delivery and result by:</p> <p><i>a. Tracking and reporting on the E&amp;S implementation support provided to borrowers;</i></p> <p><i>b. Ensuring candid reporting on the fulfillment of E&amp;S covenants in Bank's supervision reports;</i></p>	<p><b>AGREED.</b> Management shall ensure that all portfolio task managers, with support from SNSC, shall integrate E&amp;S information in implementation progress reports. Management will ensure that all Category 1, 2 operations will be subject to at least two implementation support missions a year and one per year for FI-A and FI-B Operations as per the Bank's policy. The E&amp;S safeguards compliance will be part of the Bank's reports and will be properly archived in the ISTS [SNSC with all Sector Departments and, Q4 2020]</p> <p><b>AGREED.</b> Management will ensure that the fulfillment of E&amp;S safeguards related loan conditions be part of the Bank implementation support reports (BTOR, Aide-mémoire, etc.) and properly archived. [SNSC with all Sector Departments: Immediately]</p>

Management action record	
IDEV recommendations	Management's response
<p><i>c. Enforcing the use by borrowers of the "safeguards results matrix" to report on progress of E&amp;S mitigation measures, review them, provide feedback to borrowers and summarize this information in the Bank supervision reports to inform E&amp;S ratings;</i></p> <p><i>d. Improving the reporting on resettlement measures, including information about all RAP provisions and their results on people's livelihoods, beyond procedural aspects and monetary compensation of PAPs; and</i></p> <p><i>e. Improving communication with borrowers about ISS reporting requirements for various types of lending instruments, avoiding duplication by harmonizing them with other partners' reporting requirements.</i></p>	<p><b>AGREED.</b> Management will also update the guidance material on content of supervision reports for all types of Bank's operations. Management will consistently seek update from borrowers in the safeguard matrix [SNSC: Q4 2020]</p> <p><b>AGREED.</b> Management commits to supporting clients to improve reporting on resettlement measures beyond procedural aspects and monetary compensation of PAPs to include information on aspects such as livelihood restoration and reporting requirements. The submission of compensation completion audit report is already in practice. [SNSC: Q4 2020]</p> <p><b>AGREED.</b> Management will update the reporting templates to align with international best practice. This will entail ensuring harmonization with other partners to avoid duplication and ensuring that templates are specific to different lending instruments. [SNSC: Q4 2020]</p>
<p><b>ISS TRAINING</b> - Reinforce the knowledge and awareness of internal and external stakeholders about the ISS requirements.</p> <p><i>a. Developing additional tailored training about the ISS-requirements for specific lending products, prioritizing those for FI operations, and deepening the training on managing involuntary resettlement processes;</i></p> <p><i>b. Developing an induction training for new E&amp;S staff and consultants and expanding their access to training on emerging safeguards issues;</i></p> <p><i>c. Systematically associating an E&amp;S specialist in project launching missions to reinforce the knowledge of Project Implementation Unit about the specific ISS requirements and identify capacity gaps; and</i></p> <p><i>d. Launching discussions with other Multilateral Development Banks to jointly organize capacity building in E&amp;S performance for staff of executing agencies of Bank-funded projects, the international and local E&amp;S consulting sector, national environment and land management regulatory agencies and civil society organizations.</i></p>	<p><b>AGREED.</b> Depending on the availability of resources, Management intends to develop a long-term capacity building technical assistance program, with emphasis on involuntary resettlement issues for FIs. [SNSC: Q4 2021]</p> <p><b>AGREED.</b> Management is already developing an E&amp;S safeguards module to be included in the Operations Academy, which will be used for staff induction and will be supplemented by a face-to-face capacity building program which is being developed to be rolled out in 2020. [SNSC: Q4 2020]</p> <p><b>AGREED.</b> Management will re-inforce and ensure that all project Task Teams (TT) systematically include E&amp;S experts from identification to project completion. Management will then continue to foster the use of the preparation (identification/preparation/appraisal) and implementation support missions as avenues for E&amp;S capacity building for PIUs. In coordination with Country Officers, 1 to 2 day training clinics will also be arranged for project' PIUs on the ISS and its specific requirements for the different operations. [All Sector Departments with RDGs and SNSC: Immediately]</p> <p><b>AGREED.</b> Management will continue to pursue closer coordination with other development partners on jointly organize capacity building initiatives. This will be done through platforms such as the MFI Working Groups on E&amp;S safeguards. [SNSC: Q4 2020]. Joint efforts at capacity building will also be pursued through project launches, and joint implementation support/supervision missions for co-financed projects where all co-financiers can come together to support clients on areas requiring capacity development and strengthening without imposing additional costs and time constraints to Bank staff and clients. For co-financed projects involving land expropriation, effort will be made to involve national land management agencies to share knowledge and lessons on RAP implementation. [SNSC: Q4 2022]</p>









# Introduction

## The AfDB's Integrated Safeguards System

During the ADF-12 replenishment and the 6th General Capital Increase in 2010, at the request of shareholders, the Bank committed itself to revising and upgrading its Environmental and Social Safeguards (ESS) system and procedures by preparing and adopting an Integrated Safeguards System (ISS) and by promoting the mainstreaming of climate change considerations in Bank Group-funded operations. Following an extensive review of the existing ESS policies and processes, the Board of Directors of the African Development Bank Group ("the AfDB", "the Bank Group" or "the Bank") unanimously adopted the [Integrated Safeguards System: Policy Statement and Operational Safeguards](#) in December 2013, and mandated IDEV to conduct an evaluation of the effectiveness of the ISS in achieving the safeguards objectives after a number of years.

The ISS is a cornerstone of the Bank Group's strategy to promote growth that is socially inclusive and environmentally sustainable, and to identify risks and reduce development costs. The goal of the ISS is to promote the sustainability of project outcomes by protecting the environment and people from the potentially adverse impact of AfDB-financed projects, thereby supporting long-term and sustainable development in Africa. Specifically, the safeguards objectives are to:

- avoid adverse impact of projects on the environment and affected people, while maximizing potential development benefits to the extent possible;
- minimize, mitigate, and/or compensate for adverse impact on the environment and affected people when avoidance is not possible; and
- help borrowers/clients to strengthen their safeguards systems and develop the capacity to manage environmental and social risks.

The ISS consists of four parts: (i) an overall Policy Statement; (ii) five Operational Safeguards (OSs); (iii) technical guidance in the form of [Environmental and Social Assessment Procedures](#) (ESAP); and (iv) a set of Integrated E&S Impact Assessment (IESIA) guidance notes. The five OSs mainstream E&S considerations, including those related to climate change vulnerability, into Bank operations. The themes of the OSs are OS 1: Environmental and Social Assessment; OS 2 on Involuntary resettlement: land acquisition, population displacement and compensation; OS 3: Biodiversity, renewable resources and ecosystem services; OS 4: Pollution prevention and control, hazardous materials and resource efficiency; and OS 5: Labor conditions, health and safety (more details in Annex 1).

The ESAP of the ISS delineate the roles and responsibilities of the Bank, and its borrowers or clients, to prepare and implement projects, achieve sustainable outcomes and promote local participation. Borrowers are responsible for: (i) developing the E&S assessment studies, taking the views of affected groups fully into account; (ii) complying with the measures agreed in E&S assessments; and (iii) reporting on E&S status. Meanwhile, the Bank conducts due diligence across the project cycle to ensure ISS requirements are respected through the provision of advice to borrowers and by proposing corrective actions, if necessary.

The ISS states that E&S safeguards are applied to all Bank operations: traditional infrastructure projects; program-based operations (PBOs) providing budget support; lending for regional or sector investment programs managed by the client or borrower; and private sector lending, including through financial intermediaries (FIs) and corporate loans. The level of E&S assessment and management required is proportionate to the level of risk that the operation poses-as identified during categorization and scoping (Table 1).



**Table 1:** Project categorization and levels of E&S assessment according to the AfDB's ISS

Description of the E&S category of operations	E&S assessment for various types of Bank lending instruments
<b>Category 1:</b> Bank operations likely to cause significant E&S impact; and any project requiring a <b>Full Resettlement Action Plan (FRAP)</b> , when it induces displacement involving 200 or more persons or is likely to have adverse effects on vulnerable groups.	<ul style="list-style-type: none"> <li><b>Environmental and Social Impact Assessment (ESIA)</b> for investment projects, leading to the preparation of an <b>Environmental and Social Management Plan (ESMP)</b>.</li> <li><b>Strategic Environmental and Social Assessment (SESA)</b> for program-based operations (PBOs) or other regional and sector program loans with significant E&amp;S risks, leading to the preparation of an <b>ESMP</b>.</li> </ul>
<b>Category 2:</b> Bank operations likely to cause less adverse E&S impact than Category 1 (detrimental site-specific environmental and/or social impact, largely reversible, and readily minimized); and any project requiring an <b>Abbreviated Resettlement Action Plan (ARAP)</b> , when the number of people to be displaced is fewer than 200 people, and land acquisition and potential displacement and disruption of livelihoods are less significant.	<ul style="list-style-type: none"> <li><b>ESIA</b> for investment projects, leading to the preparation of an <b>ESMP</b>.</li> <li><b>(Limited) SESA</b> for PBOs or other regional and sector program loans designed to finance a set of sub-projects approved and implemented by the borrower or client, unless the nature, scale or sensitivity of the intended pipeline of sub-projects involves a high level of E&amp;S risk.</li> <li><b>Environmental and Social Management Framework (ESMF)</b> for a program operation.</li> </ul>
<b>Category 3:</b> Bank operations with negligible adverse E&S impact.	Following categorization, do not require an E&S assessment. However, it may be necessary to carry out gender and institutional analyses or other specific studies to anticipate and manage unintended impact on the affected communities.
<p><b>Category 4:</b> Bank operations involving lending to a financial intermediary (*) that lends to or invests in sub-projects which may produce adverse E&amp;S impact. Category 4 operations are further classified as:</p> <p><b>Category FI-A:</b> The FI portfolio is considered high risk and may include sub-projects that have potentially significant adverse environmental, climate change, or social impact and that are equivalent to Category 1 projects.</p> <p><b>Category FI-B:</b> The FI portfolio is deemed to be medium risk and may include sub-projects that have potentially limited adverse environmental, climate change, or social impact and that are equivalent to Category 2 projects.</p> <p><b>Category FI-C:</b> The FI portfolio is considered low risk and includes sub-projects that have minimal or no adverse E&amp;S impact and that are equivalent to Category 3 projects.</p> <p>Note: In recent years, this Category also includes lending to funds that invest in sub-projects</p>	<ul style="list-style-type: none"> <li><b>Environmental and Social Management System (ESMS)</b> in line with the Bank's Operational Safeguards;</li> <li>Have adequate corporate E&amp;S governance policies, apply the Bank's OSs to its Category 1- and Category 2-equivalent sub-projects, and comply with local E&amp;S requirements;</li> <li>Demonstrate that it has the management commitment, organizational capacity, resources and expertise to implement its ESMS for its sub-projects; and</li> <li>Develop and disclose a summary of the ESMS to the public on its website and make use of the Bank's Negative List (as defined in the ISS), which includes goods that are harmful to the environment, when soliciting a loan or a grant and before the loan can be approved.</li> </ul> <p>(Further details in Annex 3.)</p>

Source: ISS Operational Safeguards, pages 24-25 and 34.

Note: (\*) FIs include banks, insurance, reinsurance and leasing companies, microfinance providers, private equity funds and investment funds that use the Bank's funds to lend or provide equity finance to their clients. FIs also include private or public sector companies that receive corporate loans or loans for investment plans/funds to lend or provide equity finance to their clients. FIs also include private or public sector companies that receive corporate loans or loans for investment plans

## Evaluation Objectives, Scope and Questions

This independent [evaluation of the ISS](#) aims to assess the relevance and robustness of its design, the efficiency of the systems, process, resourcing and incentives in place, and its emerging effectiveness in achieving the Bank's safeguards objectives. Although the ISS policy was approved

in December 2013, the system only became operational in July 2014. Therefore, the evaluation covers the AfDB's safeguards work for public and private sector operations from this date. Some operations approved before the ISS effective date were included to capture the implementation and results of E&S mitigation measures. The operations approved before July 2014 analyzed in this report were part of the sample used for

IDEV's [Quality Assurance Evaluation](#), which was presented to the Board in October 2018.

The evaluation seeks to provide information to the Board of Directors and Senior Management of the AfDB concerning the extent to which the Bank's safeguards system remains relevant, considering the current portfolio, recent institutional changes and the new safeguards issues tackled by comparator organizations. It assesses the effectiveness of the system by examining the quality of the Bank's E&S work and its results, with particular attention for operations that have triggered OS 2 and FI operations. In addition, it addresses whether the Bank is efficiently helping borrowers and clients to prevent, mitigate and manage E&S risks associated with funded projects. Finally, it explores the factors that facilitate or constrain the implementation of the ISS. Wherever possible, the evaluation team identified good and best practices. The evaluation thus serves both accountability and learning purposes. Its recommendations will inform the ongoing revision of the ESAP and eventual revision of the Policy. The information needs of other internal and external stakeholders were also considered and addressed in four technical reports that informed this summary report<sup>2</sup>. The evaluation is articulated around three evaluation criteria and seven evaluation questions (Table 2). The complete Evaluation Matrix is included in Annex 2.

## Methodology

**Given that the ISS only became operational in July 2014, the evaluation used a formative approach, focused on design and early implementation, and on processes and efficiency.** It also analyzes relevance considering how the new Policy addresses the shortcomings found in the old policies and the findings of evaluations of other comparator organizations. The section on emerging effectiveness captures what is known about E&S safeguards results, including two case studies on involuntary resettlement and on Category 4 (FI operations).

**The evaluation is theory-based (see the reconstructed Theory of Change for the ISS in Figure A2.1 in Annex 2) and uses mixed methods.** It combines descriptive statistics when possible with qualitative approaches to develop a set of concrete and practical recommendations for improvement of the ISS design and its implementation and results. Multiple sources of evidence and methods were triangulated, as summarized in Table 3 below and Annex 2.

**An Evaluation Reference Group (ERG) was established to ensure the relevance, accuracy and quality of the evaluation approach, findings and recommendations to the Bank's operational context.** The ERG drew expertise from 20 Bank organizational units with direct involvement with E&S safeguards work or with a key role across the Bank project cycle. The evaluation inception report was presented to the ERG, which validated key choices of the thematic evaluation focus and sampling. Three sessions to present preliminary findings were held and feedback was incorporated in draft reports. Draft versions of the Technical Reports and this summary report were shared with the ERG members for comments. The evaluation also received advice from internal and external peer reviewers. An audit trail was developed to ensure transparency on the inclusion or rejection of the comments received. In addition to the direct involvement of the members of the ERG, the information needs of other internal and external stakeholders were considered.

**The evaluation encountered various challenges, which were mitigated through the use of multiple sources of information.** Despite considerable efforts to obtain documents, screening all databases available and contacting all the stakeholders involved, the evaluation had difficulties to access the Bank's and borrowers' project documents to assess the quality of E&S due diligence, especially during project identification and implementation. This was mitigated with interviews and focus group discussions with Bank stakeholders, and field visits to obtain insights into the challenges encountered by borrowers

**Table 2:** Evaluation criteria and overarching questions

Evaluation criteria	Evaluation questions
Relevance	I. Is the ISS aligned with comparator organizations and identified best practice, and covering all relevant emerging safeguards issues?
	II. Is the ISS effectively supporting the Bank's strategic priorities, and relevant to the current portfolio and the institutional changes?
Emerging evidence on effectiveness	III. What is the overall compliance of Bank Group operations with the ISS across the project cycle? To what extent are the Bank's quality assurance processes contributing to ensuring compliance with ISS objectives?
	IV. What is the performance of Bank Group operations in relation to Operational Safeguard 2 (involuntary resettlement)?
	V. What is the E&S performance of the FI (Category 4) operations supported by the Bank Group?
	VI. What have been the Bank's efforts to strengthen borrowers' safeguards systems and to develop their capacity to manage E&S risks?
Efficiency	VII. What are the factors that facilitate or constrain the implementation of the ISS, such as resources (human and financial), processes and tools, institutional incentives, capacity (skills) of all actors involved and availability of adequate guidance?

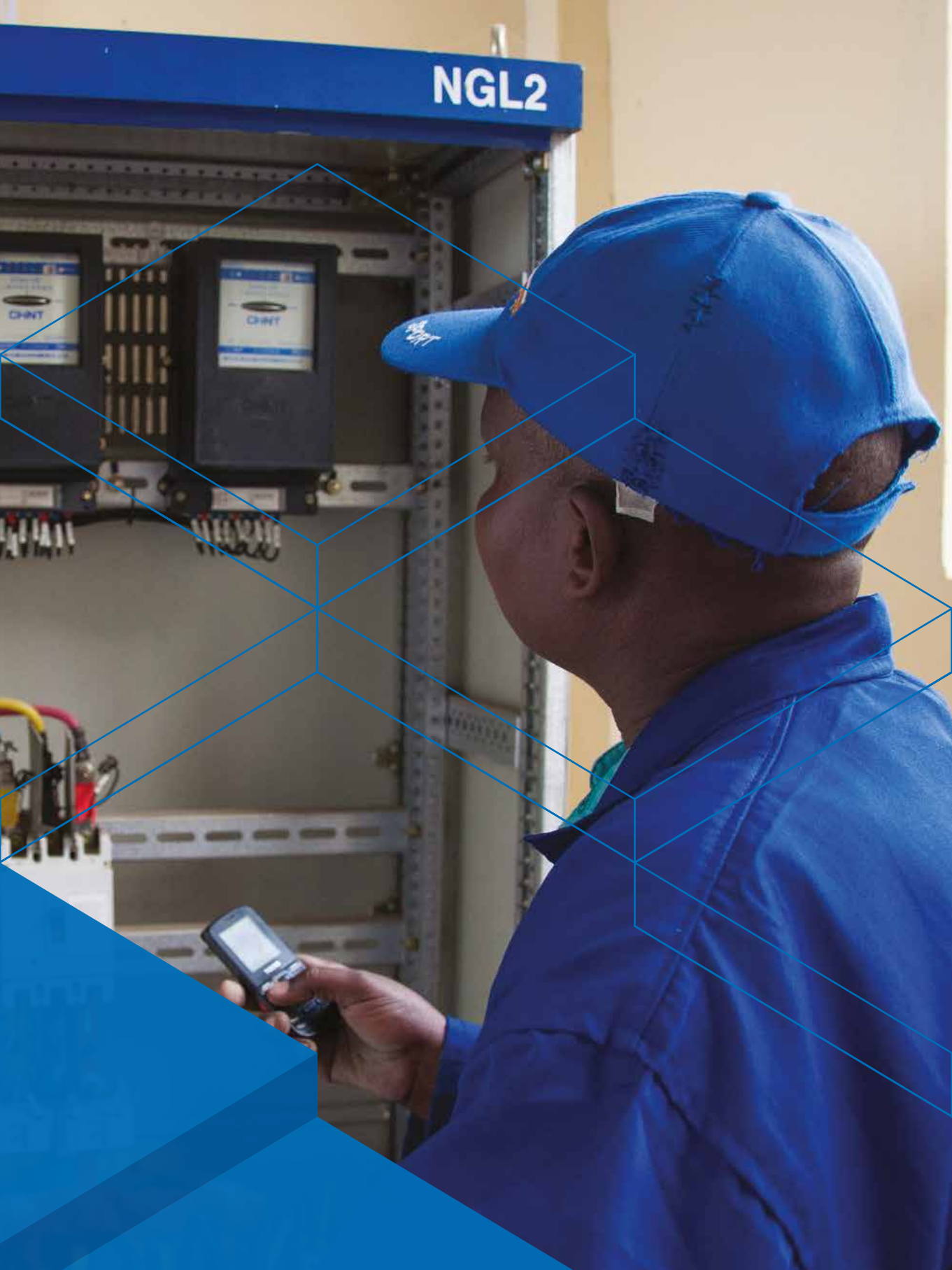
**Table 3.** Evaluation sources of evidence and methods

1. AfDB documents review	Documents related to the ISS; IDEV evaluations and other AfDB studies (BCRM reports, SNSC Annual Reports, etc.); key AfDB corporate documents, etc. (see bibliography)
2. Other MDBs' information	Review of various MDBs' E&S safeguards documents and their evaluations; a questionnaire and follow-up Skype discussion (Evaluation Matrix in Annex 2).
3. Desk review of 190 Bank-funded operations (Annex 2)	a. A non-random sample of 89 Category 1, 2 and 4 operations (both public and private sector operations), approved between 2012 and 2017. This sample covers 40 operations approved before the ISS and 49 operations after the ISS.
	b. All the public and private sector active operations approved from July 2014 to December 2017 that triggered OS 2 (36 operations). More recently approved projects were excluded to ensure operations were supervised at least once, to be able to analyze the level of progress of RAP implementation. In addition to desk review, "deep dives" were done on the specific treatment of stakeholder engagement, vulnerable groups and supervision & implementation of resettlement issues (Annex 5).
	c. All the active FI operations categorized as 4 and approved from July 2014 to December 2018 (56 operations).
	d. Nine operations that have been screened for climate vulnerability and greenhouse gas (GHG) accounting.
4. Field visits of selected Bank-funded operations (Annex 2)	a. Four operations were visited in Cameroon, Kenya and Senegal. They were purposefully chosen from the ones visited for 2018 IDEV's Quality Assurance Evaluation due to key E&S safeguards features.
	b. Eight FI operations in Nigeria and Kenya and 11 of their sub-projects. Nigeria and Kenya were chosen due to the concentration of operations, according to the portfolio review of Category 4 operations approved after July 2014. The evaluation follows the standard practice in evaluations of MDBs' private sector operations by not disclosing company names for confidentiality reasons.
5. Responses of Bank E&S team	One questionnaire; four focus group discussions with all SNSC staff, consultants and administrative support.
6. Survey of CSOs	Responses from 111 representatives of civil society organizations (20% response rate). <sup>3</sup>
7. Interviews of 280 key informants (Annex 2)	The main informant types are: (i) 103 Bank staff, (ii) 62 project-funded staff (FI operations, Category 1 and 2 infrastructure projects at their headquarters); (iii) 43 staff from FI sub-projects (companies) and field visits of projects in Senegal, Cameroon, Kenya and Nigeria; (iv) 40 staff from nine MDBs and bilateral partners; and (v) 32 representatives from national authorities (ministries, central banks and others).

in managing their E&S risks. Very few projects approved after July 2014 are already completed. Therefore, the evaluation could not capture the E&S due diligence during completion. Finally, the team encountered difficulties in accessing disaggregated budget and staffing data from both the AfDB and the

comparator MDBs, as well as obtaining data about the Africa region portfolio from global comparators.

The report is structured in three sections, covering the main findings around the three evaluation criteria, followed by conclusions and recommendations.



# Relevance and Coverage of the AfDB's Safeguards Policy Framework

## Is the ISS Aligned with the Safeguards Systems of Comparator Organizations and Identified Best Practice?

### *Architecture of the ISS compared with sister organizations*

The ISS was designed with all the key components included in other MDBs' systems. The ISS followed the trend to harmonize E&S safeguards systems

across multilateral finance institutions. The ISS consists of four parts: (i) an overall Policy Statement; (ii) five Operational Safeguards (OSs), covering E&S assessment (OS 1), involuntary resettlement (OS 2), biodiversity (OS 3), pollution prevention (OS 4), and labor and working conditions (OS 5); (iii) technical guidance in the form of the ESAP; and (iv) a set of Integrated E&S Impact Assessment (IESIA) guidance notes<sup>4</sup> (see below). The details of the content of the ISS components are further analyzed in Annex 1.

**Figure 1:** Assessment of the alignment of the ISS structure with other MDB safeguards systems

MDB Safeguards Systems	ISS Structure
<p><b>An overarching Policy Statement</b> setting forth the objectives, policies, principles, scope, hierarchy and organizing framework of the institution's approach to potential E&amp;S impact and risks of its activities. The Policy Statement generally applies to the MDB itself, articulating the key principles to which it holds itself accountable. The content of the policy statement may be aspirational, mandatory or a combination of the two.</p>	<p><b>INTEGRATED SAFEGUARDS POLICY STATEMENT</b></p> <p>Declaration of commitment to E&amp;S sustainability and to reducing risk of non compliance. (Approved by the Board of Directors in December 2013).</p>
<p><b>Operational Requirements</b> for diverse types of lending operations and circumstances. These are normally mandatory in their application to borrowers and other clients.</p>	<p><b>OPERATIONAL SAFEGUARDS</b></p> <p>Short and focused policy statements that follow Bank commitments and establish operational parameters. (included in the same document with the Policy Statement, December 2013).</p>
<p><b>Environmental and Social Review Procedures</b> that the MDB follows in conducting its due diligence, through preparation, approval, monitoring and supervision of projects as well as in meeting its documentation and disclosure requirements with respect to E&amp;S matters. Such procedures are normally mandatory for MDB management and staff.</p>	<p><b>ESAP REVISED PROCEDURES</b></p> <p>Procedural and process guidance (documentation, analysis, review, and reporting) at each stage of the project cycle. Adopted internally in October 2014, released in December 2015.</p>
<p><b>Guidelines, Sourcebooks, Manuals or other Materials</b> designed to inform the implementation of "best practice" for borrowers/clients and for the MDB staff in carrying out E&amp;S safeguard due diligence and verification of compliance with the operational E&amp;S requirements. Such provisions may be strongly recommended but are not normally mandatory unless designated as such in agreements between the MDB and the borrower.</p>	<p><b>GUIDANCE NOTES REVISED IESIA GUIDELINES</b></p> <p>Detailed (methodological, sectoral and thematic) guidance on integrated environmental and social impact assessment. Adopted internally in October 2014, released in December 2015.</p> <p>Source: Figure 1, ISS Policy Statement and OS (2013), page 11</p>
<p><b>Access to Information Policies</b> that apply broadly to information disclosure and public access to information obtained and generated by the MDB. Such policies typically include but are not limited to topics related to environmental and social safeguards, may be implemented either within or independent of an MDB's safeguard system and are normally mandatory for the institution.</p>	<p><b>DISCLOSURE AND ACCESS TO INFORMATION POLICY 2013</b></p> <p>The Bank ensures the progressive disclosure of documents at key stages during the project cycle and making documents available to the public on request, through the Integrated Safeguards Tracking System.</p> <p>Source: ISS Policy Statement and OS (2013), page 28</p>



**At the time of its publication, the ISS Policy Statement was comprehensive and far-reaching, and it remains a strong underpinning for the Operational Safeguards.** The ISS details the commitments and responsibilities of the Bank and borrowers to achieve safeguards objectives. However, it is somewhat biased towards the Bank's due diligence. The more recent safeguards systems, such as the [World Bank Environmental and Social Framework](#), lean more towards the delegation of safeguards authority to regional member countries (RMCs) and borrowers or clients, along with a clear focus on the initiatives that are not directly within the control of the Bank, such as FI operations and co-financing.

**The ISS encompasses most ESS issues within the existing five OSs.** Other MDBs such as the EBRD, the WB and the IFC have a larger number of "free standing" operational standards than the AfDB<sup>5</sup>, but most of the issues covered therein are dealt with in the OSs of the AfDB's ISS. In this sense, the AfDB is not lagging behind its comparators, although it is fair to say that some of the issues are only dealt with in passing and may require additional guidance.

**The relationship between OS 2 and the Bank's 2003 [Involuntary Resettlement Policy](#) as mentioned in the ISS presents certain inconsistencies.** While according to the introduction of the ISS policy statement, "the ISS supersedes the provisions in previous policies on E&S safeguards and compliance aspects" (page 5), OS 2 is introduced afterwards to "facilitate the operationalization of the Bank's 2003 Involuntary Resettlement Policy" (page 31). This lack of clarity can yield differing interpretations by Bank staff and borrowers regarding the specific requirements of the AfDB<sup>6</sup>.

**While the ESAP were a valuable addition to the Policy Statement and the OSs, certain elements could be improved, especially the level of detail on requirements and templates for private sector operations and for Category 2 projects.** The ESAP were designed to cover all public and private sector operations funded by the Bank. However, the procedures are focused predominantly

on public sector operations, and do not address in enough detail private sector transactions (apart from the FI operations). Similarly, the evaluation found some contradictory guidance in the ESAP regarding the requirements applicable to Category 2 projects. For instance, it is not clear in the procedures what the minimal content of the ESMP should be for medium-risk operations to be validated by the Bank.

**The guidance materials associated with the ISS are comprehensive, but were approved and made available to external stakeholders with some delay.** The professed purpose of the guidance materials is to provide knowledge to the Bank's borrowers and other clients when undertaking E&S assessments for Bank-financed operations. The ISS guidance notes do not mention whether they are mandatory or, as in other MDBs, they are not legally binding but are recommended to ensure adherence to the policy. While the policy had been approved by the Board in December 2013, and the ESAP and the three main volumes of guidance materials were adopted by the Bank's Operations Committee in October 2014, they were only published in December 2015.

#### *Thematic coverage of the ISS, including emerging safeguards issues*

**The thematic coverage of the ISS is comprehensive and similar to other MDBs, but some potential adjustments could be made.** The evaluation compared the ISS coverage of 16 E&S safeguards themes with six other organizations, and found that these others have extended the coverage to community health and safety, while the AfDB's OS 5 on "labor conditions, health and safety" is mainly focused on individual worker health and safety. At the same time, certain other issues seem to be covered more extensively in the AfDB's ISS than those of comparators. An example is environmental flows, which are dealt at some length in OS 3 (biodiversity and ecosystem services). Also, the evaluation considers that the AfDB's approach of treating indigenous people as a special case of "vulnerable groups" is well aligned with the laws of RMCs and relevant to the



region.<sup>7</sup> As is the case with most of the other MDBs, the ISS considers human rights in aspirational terms in its non-binding preface. The AfDB's requirement to obtain Broad Community Support is more stringent than that of other organizations, which require Free, Prior and Informed Consent (equivalent to Broad Community Support) only in cases when working with indigenous peoples.<sup>8</sup> Other MDBs, such as the EBRD and the WB, require Stakeholder Engagement Plans (SEPs) for high-risk projects, and periodic disclosure of E&S performance reports (EBRD). The AfDB's ISS does not require such plans.<sup>9</sup>

**The AfDB deals with the issue of climate change mitigation and adaptation through two separate tools, the Climate Safeguards System (CSS) and the Greenhouse Gas (GHG) Accounting Tool, as a cross-cutting issue, as do other MDBs.** The CSS and GHG Accounting Tool are part of the ESAP. The CSS assesses climate vulnerability and is used to facilitate adaptation action in projects, while the GHG Accounting Tool is used to quantify ex-ante emissions and inform mitigation actions. The CSS yields a separate categorization, in addition to the ESA process.<sup>10</sup> The Bank developed a climate screening manual in 2012 and the CSS was revised in 2016. At the AfDB, the GHG accounting system is in the form of a spreadsheet template and is based on generally accepted standards such as the GHG Protocol and ISO 14064. Bank staff are responsible for applying the climate screening and the adaptation review to climate-proof its project portfolio.

**Most of the Bank staff interviewed considered that the ISS rightly identifies most of the emerging E&S safeguards issues, but that their effective inclusion in the due diligence process could still be improved.** The E&S issues most often mentioned were gender (including gender-based violence), climate change adaptation and mitigation, and Resettlement Action Plans (RAPs). While the RAPs themselves are not an emerging issue, it is clear that Bank E&S specialists consider the growing complexity around resettlement and land acquisition to be noteworthy. In addition, the Bank's sector interviewees highlighted other issues that deserve more attention in the ISS,

such as land tenure concerns relating to agribusiness operations (to avoid land grabbing situations that could harm local populations). The comparison between the ISS and other MDBs' systems with respect to five key emerging safeguards (biodiversity offsets, gender, disability, ecosystem services and associated facilities essential for the success of the project) showed that some of them are rightly included in the current ISS OSs, but would require further guidance to ensure systematic application.

### Is the Bank's ISS Effectively Supporting its Strategic Priorities and the Recent Institutional Changes?

**The ISS is well aligned with the Bank's Ten-Year Strategy (TYS) covering the period 2013-2022. However, the new development priorities approved in 2015 (the High 5s) may pose additional challenges for managing the E&S risk of larger operations.**<sup>11</sup> The Policy Statement of the ISS included: a table detailing the contribution of the ISS to the operational priorities of the YYS; the use of SESA to address adverse effects of large regional projects; the enhancement of private sector capacities to mainstream E&S sustainability into their projects; conducting E&S due diligence of PBOs; and the development of skills to address contemporary issues such as climate change. The Bank did not have data on the E&S risk profile of the ongoing portfolio. The SNSC team is reconstructing this information in 2019. The estimate done for this evaluation shows a trend towards an increasing proportion of high-risk operations from 2015 to 2018.<sup>12</sup> This trend is explained by the larger and cross-border infrastructure operations designed in line with the High 5s, resulting in larger E&S footprints.

**In May 2016, the Board approved a profound set of institutional and operational reforms with implications for the E&S safeguards function.** The Development and Business Delivery Model (DBDM) reforms focus on five institutional pillars: (i) moving closer to the client to enhance delivery (ii) reconfiguring headquarters to support the regions to deliver better

outcomes (iii) strengthening the performance culture to attract and maintain talent (iv) streamlining business processes; and (v) improving financial performance and increasing development impact. Some of the most important consequences for E&S management at the Bank are summarized below.

**With the approval of a new organigram in October 2017, the Bank created a Safeguards and Compliance Department (SNSC) under the authority of the Senior Vice President.** Previously, the staff responsible for ensuring the implementation of E&S safeguards-related policies were divided between three different divisions.<sup>13</sup> The evolution of the institutional arrangements for safeguards is described in more detail in Table A1.4 of Annex 1. The creation of a single department brought together E&S staff responsible for both supporting operations to deliver E&S due diligence and ensuring compliance. At the same time, after 2017, the climate change tools began to be managed by climate change specialists housed in the Climate Change and Green Growth Department (PECG), within the Vice-Presidency for Energy, Climate and Green Growth. It is too early to assess whether SNSC will be able to effectively deliver on its dual role: mainstreaming E&S considerations in Bank operations and oversight of E&S compliance.

**Since 2017, E&S safeguards specialists (along with climate and gender experts) have gradually been decentralized to the Bank's regional hubs, keeping a small headquarters-based department handling policy and standards, oversight and compliance.** Decentralized safeguards staff report functionally to SNSC and administratively to Bank regional directors-general. Among the perceived advantages of this model is that E&S specialists are closer to clients/stakeholders and to the Bank operations staff who have also been decentralized to the regional hubs. Therefore, their ability to participate in project field missions throughout the project cycle may be improved, along with their knowledge of the context of the region and countries. However, without clear guidance and quality control from SNSC, it may be difficult to consistently apply safeguards across the institution. Other MDBs have opted for different models

as concerns the position of the E&S function in relation to operations departments and the decentralization of E&S specialists.<sup>14</sup> There is no evidence that might lead to a conclusion on which model is best. It will be some years before it will be possible to evaluate whether the AfDB reform has been successful.

**To align with the DBDM and the revised business processes, SNSC initiated a process in 2017 to update the ESAP and to undertake a self-evaluation of the ISS.** These processes should align the ESAP with the revised Delegation of Authority Matrix (DAM) for sovereign and non-sovereign operations, and the ongoing revision of the Operations Manual, which began in 2018.<sup>15</sup> This independent evaluation will also inform this reform and any adjustments to the content of the ISS.

**The rules of engagement regarding the treatment of E&S safeguards during co-financing of operations with other partners are not fully developed.** Mobilizing and committing co-financing resources has been one of the key performance indicators (KPIs) assigned to Operations Vice Presidents and Directors General to deliver the Bank's operational priorities since 2018. According to interviews, the new draft ESAP try to clarify this aspect by further elaborating the application of the concept of "equivalence assessment" provided for in the ISS. However, there are still uncertainties associated with how to synchronize different MDB safeguards requirements, and how to provide SNSC with enough resources to engage in co-financed operations with partners with greater E&S staff numbers.

### **Is the Bank's ISS Relevant for and Adequately Applied to the Current Portfolio?**

**The ISS states that E&S safeguards are to be applied to all Bank operations. However, evidence suggests that they are still more focused on investment project financing.** The ISS states that safeguards apply, in addition to investment projects, to PBOs providing budget

support, lending for regional or sector investment programs managed by the client or borrower, and private sector lending, including through FIs and corporate loans. While ESAs and ESMPs are usually required for investment lending, other types of E&S assessments are used for policy, program and FI operations (Table 1).

**The AfDB is one of the few MDBs that fully commits to SESA within its core mandatory safeguards system.** The ISS requires PBOs (regional or sectoral investment programs and policy or budget-support operations) to be categorized according to their E&S risks, and SESA to be applied for those with high and medium E&S risks.<sup>16</sup> SESA is well adapted and applied to the Bank's recent portfolio of large regional integration infrastructure programs with wider E&S footprints. The application of SESA has been more limited for policy (budget support) reforms, since most of them have been categorized as low risk.<sup>17</sup> Using SESA for E&S medium- and high-risk sector PBOs could contribute to assisting countries to transition to green growth paths through sector reforms.

**The ISS is largely aligned with E&S international best practice for FI lending (Category 4 operations), with some exceptions.** The ISS considers similar E&S risk categorization and requirements as the IFC and other comparators (Table 1 above). However, the inclusion of some operations, such as corporate loans and guarantees, as Category 4 projects poses the challenge of complying with the AfDB's E&S requirements as they are defined in the ISS. In addition, the supervision and reporting system presents gaps compared with best practice (Annex 3).

**The ISS architecture and thematic coverage is adequate and sufficient.** However, the following factors place additional stress on the Bank's system for managing the E&S risks of operations: (i) the increased E&S risk of the portfolio in recent years, explained by the approval of bigger infrastructure operations; (ii) the mounting complexity of social safeguards issues to be covered; and (iii) the need to further expand the E&S due diligence to other types of lending. These challenges may require some adjustments in the ISS components. The following section presents the safeguards results since July 2014 to identify challenges for ISS compliance and application across the Bank's portfolio.





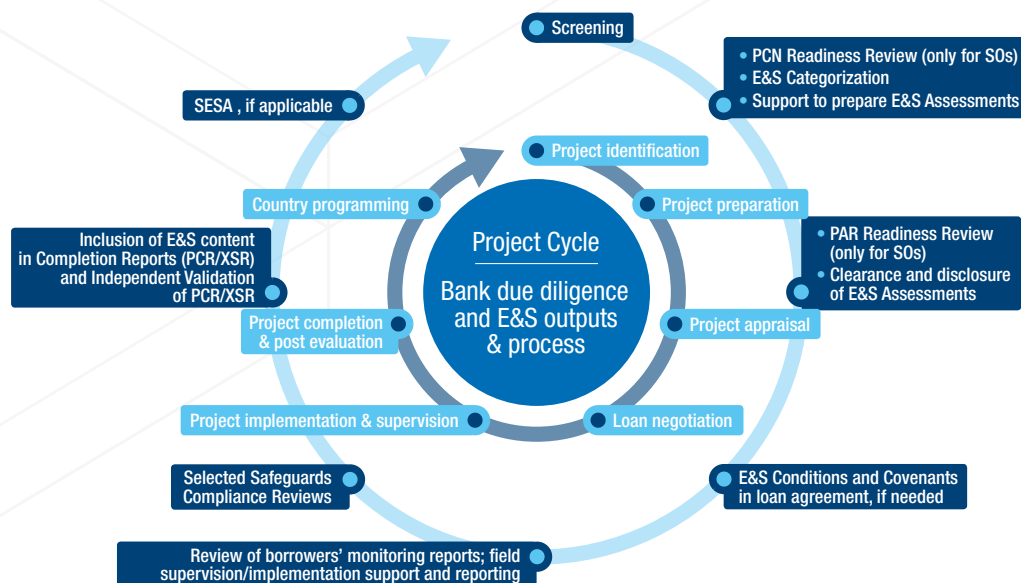
# Effectiveness: Safeguards Results

This section is articulated around the specific objectives of the ISS. First, it assesses to what extent the Bank's due diligence and quality assurance processes have contributed to avoiding, minimizing, mitigating and/or compensating for the adverse impact of projects on the environment and affected people. Second, it presents what is known about the safeguards results of the operations analyzed through the assessment of samples of Bank Group operations: the E&S performance of operations that triggered the ISS involuntary resettlement provisions (OS 2) and those that were categorized as 4 (Table 1). Finally, it assesses the efforts of the Bank to help borrowers to strengthen their safeguards systems and develop their capacity to manage E&S risks.

## Quality of the Bank's E&S Safeguards Work Across the Project Cycle

The Bank's project cycle comprises key stages before Board approval (project identification, preparation and appraisal), during implementation, and at completion, which fit into country programming. The operationalization of the ISS at the project level entails various due diligence, review and supervision activities that the Bank undertakes to ensure that borrowers or clients comply with the ISS requirements. Several E&S outputs are developed by the borrower or the client and validated by the Bank, depending on the type and E&S risk of the intervention (see Figure 2 and

**Figure 2:** Bank due diligence, process and outputs to manage operations' E&S risks



Source: Self-elaboration on the basis of ESAP information

NSO: Non-sovereign (private sector) Operations; PAR: Project Appraisal Report; PCN: Project Concept Note; PCR: Project Completion Report (for SOs); SESA: Strategic Environmental and Social Assessment; SO: Sovereign (public sector) Operations; XSR: Extended Supervision Report (for NSOs).

details in Annex 4). The following section shows the results of the desk review of the Bank's E&S due diligence for the 190 projects.

### ***Quality of the Bank's E&S safeguards work before Board approval***

The E&S assessments of Bank-funded operations prepared by the borrower and validated by the Bank before approval aim to define and reach an agreement with the project sponsor concerning E&S mitigation and enhancement, and monitoring and consultative measures to be undertaken during project implementation and completion. Specific E&S requirements for each type of project and E&S-related loan conditions and covenants are included as part of the implementation arrangements detailed in the Project Appraisal Report (PAR) and corresponding loan agreements.

### **E&S due diligence at identification and preparation**

**Challenges in the overall project identification and preparation at the Bank hinder the Bank's E&S support to clients during the early stages of the project cycle.** Projects are expected to enter the Bank's pipeline through the preparation of a Project Brief for public sector operations and a Project Evaluation Note for private sector operations (identification stage). At this stage, the E&S category is assigned and some other E&S outputs are produced.<sup>18</sup> If the project is accepted, the borrower is asked to prepare key feasibility studies, including the E&S assessment studies, while the Bank produces and reviews the Project Concept Note (preparation stage).<sup>19</sup> The [Independent Evaluation of the Quality at Entry of the AfDB Group operations \(2013-17\)](#) found few project briefs and concluded that the current Readiness Review does not target key factors that differentiate between high- and lower-performing investment projects. The proportion of approved operations with satisfactory E&S mitigation measures at appraisal improved from 2014 to 2018, according to the figures reported by the Bank's Annual Development Effectiveness Review and the random sample analyzed by the evaluation.<sup>20</sup> However,

comments received on the E&S Readiness Review rating were among the least likely to be addressed, according to IDEV's Quality at Entry Evaluation. There are still cases where projects are approved with unsatisfactory E&S ratings at the Readiness Review of the Project Appraisal Report, because this is averaged with other dimensions. SNSC has documented projects that are cleared "on condition", even if they do not include formal loan conditions or covenants.<sup>21</sup> The Readiness Review does not consider the maturity of project E&S studies prepared by the borrower or client as a "readiness filter". Bank Management is revamping the Readiness Review to ensure a sharper focus on evaluability, compliance with fiduciary and E&S safeguards requirements, and readiness for implementation.<sup>22</sup>

**For the projects reviewed for this evaluation (Table 3), the extent of compliance with the ISS during identification and preparation could not be readily assessed.** The evaluation had special difficulties to access key E&S outputs produced by the Bank at these stages. For instance, the evaluation could only access 10 percent of the memos to request and validate a project's categorization (a standard step in the process) for the 89 Category 1, 2 and 4 operations assessed, even for those approved after the date the ISS came into force.

**The Bank's E&S categorization for the projects reviewed was found to be systematic and well justified, with some exceptions.** The evaluation team found an overall good justification of assigned E&S categories, when considering the description of the scope and type of E&S impact and risks. Some exceptions were: (i) projects that could have been approved with a higher Category according to the information provided in the PAR and the ESIA (ii) emergency projects approved without a Category, through a waiver<sup>23</sup>(iii) PBOs systematically categorized as low risk, which does not seem adequate for certain sector budget support operations (iv) a quarter of the active Category 4 operations approved since July 2014 were approved without the sub-categorization (FI-A, FI-B or FI-C), necessary to reflect the sub-project portfolio E&S risk and give guidance in formulating the E&S requirements in the legal agreements;



and (v) the inclusion of certain corporate loans and guarantees as Category 4, when these should have been categorized as 1 or 2, according to the nature of the operations and the coverage of required E&S risk management (see Annex 3 for information about the three cases identified).

**The Bank has achieved its increasingly ambitious targets on the proportion of climate-informed operations at design for some years.**

The climate screening and tracking methodologies and tools have been refined. However, the evaluation captured a high variety of cases, although the Bank's climate change team reported that the practice is becoming more systematic. Since 2014, the [Annual Development Effectiveness Review](#) has been reporting on progress of the "percent of projects that are climate-screened before approval". According to this source, this was achieved in 2016 and 2018. Furthermore, the lack of systematic recording of finalized versions of climate risk screening forms at the project level precludes having an overall idea of the climate screening effort since the approval of the ISS. The evaluation could only analyze a non-random sample of nine operations screened for climate vulnerability after mid-2017, finding a heterogeneity of cases in relation to the E&S risks of projects (ISS categorization), project climate vulnerability (CSS categorization), and various levels of detail and depth of the climate analysis and GHG accounting.

[E&S due diligence during project appraisal](#)

**Interviews with E&S specialists and operations staff suggest that the validation of E&S assessment studies, including their public disclosure, has been rushed on various occasions to fit predetermined Board approval dates, with consequences for their quality.** The policy requires Bank E&S specialists to review, validate and summarize the borrowers' E&S assessments. "Final and cleared" E&S assessment summaries have to be disclosed prior to Board approval, with different timelines according to the type and E&S risk of the operation: 120 days for Category 1 public sector projects, 60 days for Category 1

private sector projects and 30 days for Category 2 projects. Borrowers of Category 4 operations have to disclose a summary of their ESMS on their website and ensure that the sub-projects that require ESIA's undergo the same information disclosure process as other private sector Category 1 projects funded by the Bank.

[Quality of the E&S outputs of different Bank lending instruments before Board approval](#)

**Most of the Bank's E&S outputs at appraisal of the non-random sample of 89 operations were assessed as satisfactory.** However, there is a high diversity of cases implying limited consistency in the application of the ISS requirements, especially for Category 2 projects. The majority of the 34 Category 1 projects approved with an ESIA were considered of sufficient quality, a more positive finding than the 2014 safeguards compliance review conducted by the safeguards division at the time.<sup>24</sup> Transport and energy showed better performance than other sectors in the IDEV sample. The highest variability in terms of the quality and content was found on the E&S outputs for the 35 Category 2 projects. Some of their ESMPs were not sufficiently actionable, as the Bank's ISS require.<sup>25</sup> Similarly, the nine Category 2 operations approved with an Environmental and Social Management Framework (ESMF) contained the required procedures to develop site-specific ESMPs for sub-projects, along with implementation and monitoring responsibilities. The three SESAs in the sample were considered adequate since they included a good analysis of large-scale E&S impact and risks, and provided detailed information about the country legal framework and its correspondence with the ISS.

**Most of the Bank's E&S outputs included some information on the costs and arrangements to implement the agreed E&S mitigation measures, although there is room for improvement.** The standard information included in the PARs is related to the E&S staff at the Project Implementation Units, without further analysis of their capacity and readiness to implement the ESMPs or RAPs. The information about OS 2-related costs is usually more detailed

than the budget for environmental (and other type of social) mitigation measures. This seems to imply that environmental mitigation costs will be included as part of the contractors' costs. The role of the Bank's E&S specialists in reviewing the contractor's bidding documents to ensure that E&S safeguards activities and costs are included is neither mentioned in the ESAP nor in the Operations Manual.

**There is significant room to improve the quality at entry of RAPs. A number of recurrent gaps were found between the Bank's ISS expectations and the actual quality of the RAPs of the 36 active operations that have triggered OS 2 since July 2014.** Projects were predominantly compliant for six of the 18 OS 2 variables assessed. Key areas of weakness include: (i) inadequate consultation with vulnerable groups; (ii) poor analysis of the gaps between the borrower's legal requirements and the Bank's OS 2;<sup>26</sup> (iii) vague description of the capacity of the executing entity in charge of the implementation of the resettlement plan; and (iv) insufficient host community capacity assessment, including the development of conflict resolution mechanisms to resolve integration issues, if necessary. This finding is aligned with the 2014 safeguards compliance review and with the topics that recurrently prompt mediation requests and complaints received by the Bank's independent Compliance Review and Mediation Unit (BCRM).<sup>27</sup> According to BCRM, the absence of gap analysis results in an increased risk of Bank Group policies and procedures being violated by borrowers and clients, and their frustration when affected communities submit complaints to the Bank. More details regarding the RAP assessments are included in Annex 5.<sup>28</sup>

**When considering the requirements of OS 2, the quality of RAPs has improved since 2014.** When comparing the projects approved in 2014-15 with those approved in 2016-17 for the operations that triggered OS 2, the compliance of the RAPs was assessed to have improved across all variables. For some, this was particularly noticeable, such as the description of the RAP implementation process and adequate gap analysis. A similar trend was found when analyzing 30 additional RAPs of projects that triggered OS 2 from the non-random sample of 89 operations. This might be attributed to greater

familiarization within the Bank and by borrowers with the IESIA Guidance issued in December 2015.

**For the sample of 56 FI operations (Category 4), the overall quality of FIs' ESMSs was good, although the AfDB's support to FIs to set up appropriate ESMSs and build E&S management capacity was difficult to assess due to information shortfalls.**

The evaluation found information to assess the quality of the Bank's due diligence for less than half of the Category 4 operations approved since July 2014. Most of them were considered successful, with some good practices, such as the AfDB's support to set up an appropriate ESMS for a bank in Angola. Unfortunately, in the absence of performance monitoring reports for this operation, it was not possible to assess the actual performance of ESMS implementation and that of the sub-projects (Annex 3).

#### *Assessment of the compliance with the disclosure requirements and level of use of E&S documents*

**The evaluation found a good level of compliance with the disclosure requirements, except for Category 4 projects, for which it was difficult to assess compliance due to the limited information.**

The date of disclosure of E&S assessments is seldom mentioned in the PARs. When comparing the publication date of the E&S studies on the Bank's disclosure website and the PAR approval date, all Category 1 and 2 operations, including those entailing involuntary resettlement, complied with the expected disclosure time according to the type of risk of the operation. However, two-thirds of the 56 Category 4 operations did not have information to verify that the FIs disclosed a summary of their ESMSs on their website, and that the FIs followed the same disclosure process for sub-projects requiring ESIs, as required.

**Given that full E&S assessments are now systematically published through the Bank's ESA full disclosure site, the preparation of the E&S assessment summaries by SNSC staff appears to be redundant.** Full text disclosure was recommended in the [Annual Report 2017 of the Disclosure and Access to Information Policy](#), in line with the practice at other

MDBs. It is unclear if any formal directive or guidance exists to structure the business process for disclosure. The ESIA website is not fully integrated with the general AfDB website per project. Work is ongoing to improve the structure and presentation of information on the Bank's website. This evaluation considers that the practice of Bank E&S specialists summarizing E&S assessment studies could also be problematic, since these are documents owned by the borrowers and, therefore, there might be objectivity and accuracy issues when summarizing them. Most ESIA and RAPs prepared by borrowers include executive summaries that could be utilized as "the summary of the E&S assessment" that is currently prepared by Bank E&S staff. No other MDB currently has a policy or practice asking their E&S staff to generate summaries of the E&S studies prepared by the borrower.<sup>29</sup>

**The evaluation found no evidence of systematic and effective use of the disclosed ESIA/RAPs by external stakeholders. There is room to improve the features of the Bank's website to enable users to provide feedback, as envisioned in the Disclosure and Access to Information policy.** The ISS aims to provide for stakeholders' participation during the consultation process so that affected communities and stakeholders have timely access to information about Bank operations in a suitable form, and are consulted meaningfully about issues that may affect them. There were around 80 daily downloads of E&S reports from the Bank's website in 2017 and 2018. The General Secretariat, responsible for responding to disclosure requests, has received 10 to 15 E&S-related requests annually, mainly from external visitors having difficulty finding or downloading specific E&S assessments. In a CSO survey conducted by the evaluation, more than half of the 111 respondents reported not having used or consulted the Bank's ISS documentation. Among those who did, most of them did so through the website, with very few cases of CSOs obtaining this information in the Bank's country offices. However, the Bank's website lacks sufficient functionality to enable stakeholders to provide feedback on draft E&S assessments, as envisioned in the Disclosure

and Access to Information policy. This may partially explain why the Bank has received virtually no feedback on its disclosed E&S documents. The objective to increase public access to key E&S documents of Bank-funded operations through the Integrated Safeguards Tracking System (ISTS) has not yet materialized. The ISTS is not functional, neither for its internal compliance verification purposes nor for its external outreach function.

**The borrower or client is responsible for conducting and providing evidence of meaningful consultation with communities likely to be affected by Bank-funded operations.** This national- and local-level dissemination should allow accessibility to E&S project documents at the local level, where projects are actually implemented. The ISS guidance on consultation requires this to be adequately reflected in project designs. The information included in the Bank's documents regarding this important requirement was found to be inconsistent.

#### *Inclusion of E&S covenants in operations loan agreements*

The loan agreement is the key document that frames the roles and responsibilities of borrowers or clients regarding their commitments and Bank requirements at the project level. The ISS ESAP indicate that loan conditions and covenants should be included to cover any outstanding E&S concerns that need to be satisfied prior to or after project approval, and they should be kept to a minimum. The majority of E&S issues should be resolved prior to this phase.

**The evaluation's review of loan agreements showed that the majority of the 100 Category 1 and 2 projects reviewed included some types of E&S loan conditions or covenants, although the practice is not standardized.**<sup>30</sup> The majority of E&S loan conditions relate to involuntary resettlement, with "other conditions" or "undertakings/commitments" being the most common ones.<sup>31</sup> Most of them require showing evidence of compensation prior to the commencement of works, providing periodic reports about the implementation progress of E&S documents

or fully implementing the RAP (Annex 5). The Bank has recently developed standard E&S clauses to be included in loan agreements for Category 1 and 2 projects, especially when projects entail involuntary population resettlement.

**The review of the loan agreements of the 56 Category 4 operations showed an inconsistent inclusion of conditions, especially those requiring the FIs to report on ISS compliance.**

The safeguards requirements were successfully translated to legal agreements in 60 percent of cases that could be rated. However, several inconsistencies were found in legal requirements for FI projects. For example, the requirement to notify on Category 1 sub-projects and for FI-A projects to submit details of ESAs of sub-projects deemed equivalent to Category 1 and 2 was present in only two out of 12 legal documents of the FI-A projects assessed.<sup>32</sup>

**For lines of credit (LOC) operations, which are Category 4 operations according to the ISS, the evaluation found no evidence of consistent improvement, over time, of the satisfactory inclusion of E&S requirements in legal documents.**

The Management Response to IDEV's 2017 [Country Strategy and Program Evaluation of South Africa \(2004-15\)](#) reported an improvement in the Bank's implementation of environmental safeguards for LOCs over time, which explained the lack of E&S reporting in the earlier LOCs covered by that evaluation. It also praised the systematic inclusion of regular E&S reporting in all LOC agreements. This statement could not be corroborated by the analysis of 24 LOCs in the current evaluation.

***Quality of the Bank's E&S safeguards work during implementation***

The effective implementation and monitoring of ESMPs, ESMSs or RAPs, as well as ensuring adherence to the E&S covenants of the financing agreement, are the responsibility of the borrower, which has to report regularly to the Bank on progress in implementation, including any substantive changes from the E&S

mitigation plan agreed at approval. The Bank provides implementation support and performs supervision to ensure that the ISS requirements are respected. This should also entail the inclusion of the E&S requirements in contractors' bids for project-funded works. The objectives of the Bank's supervision of E&S compliance are: (i) to evaluate the compliance of the ESMP, ESMS or RAP with the ISS requirements, and also specifically those included as loan conditions (ii) to identify the real E&S impact of the project (iii) to identify future E&S risks (iv) to propose corrective measures, if needed; and (v) to evaluate stakeholders' perceptions.<sup>33</sup>

**The reporting on E&S covenants in the Bank's supervision reports for public sector operations was found to be poor and inconsistent.**

The Bank's Implementation Progress and Results Report (IPR) template includes a section to assess the level of E&S safeguards compliance (with a four-point scale rating) and space for the full report to be included as an IPR Annex<sup>34</sup> (see Annex 4). This annex was not included in any of the 11 IPRs obtained for the 36 operations that triggered OS 2 since July 2014 and only in three of the 42 IPRs of the 89 operations in the non-random sample. Similarly, the other types of supervision reports (aide-memoires and BTORs) provided very limited E&S information, and did not report on the progress in implementing the different loan conditions and covenants. This confirms previous findings of the Bank's E&S Compliance Unit in 2014 and 2016 regarding the lack of evidence in addressing the E&S conditions. The evaluation found some good practices that highlighted the covenants as part of the E&S sections of aide-memoires or IPRs. For example, the supervision report of a public hydroelectric project in Cameroon includes in the annex the E&S covenants of the loan agreement, the findings of the mission related to the borrower's adherence to these, and recommendations to enhance compliance.

**The evaluation found low compliance with the ESAP's E&S requirements regarding the expected E&S content in the Bank's supervision reports of public sector operations.** ESAP (and the IPR template) require the use of measurable indicators and details on the proportion of ESMP/

**Table 4:** Safeguards results matrix for borrowers to report on implementation of the ESMP

E&S risks and impact	E.g. Permanent removal of 500 trees due to land clearing during construction.												
E&S management objective	E.g. Implementation of an afforestation program.												
E&S management results	E.g. 1,000 trees planted and maintained according to specification of the local forestry agency.												
Cost and source of funding	US\$100,000 from AfDB project finance												
Target (e.g. % per qtr. over 5 years)	0	10	15	20	25	30	40	50	60	70	80	90	100
Status of targets													
Verifiable indicators and means of verification	E.g. Number of trees planted, land area covered and the opinion of local forestry agency, contract with seedling providers, etc.												
Contractual instrument	E.g. Project ESMP, loan agreement, contractor documents												

Source: ESAP, 2015, page 65.

RAP safeguards measures completed in a timely manner. However, most of them only provide partial and vague reporting focused on certain environmental/social mitigation measures, and do not provide an overall picture of all the measures included in the E&S management documents. None of the documents desk-reviewed by the evaluation team provided detailed information regarding the progress of individual mitigation measures for the E&S risks and impact, using the prescribed “safeguards results matrix” template (Table 4). This echoes the findings of the 2014 Management safeguards compliance review and the 2017 BCRM Annual Report.<sup>35</sup>

**The justification for the E&S ratings included in the IPRs does not always provide enough information to ensure candor, especially for Category 2 operations.** Although most of the Category 1 projects with this information available properly justified the E&S rating as per the guidance, it was more difficult to undertake compliance verifications for Category 2 operations. The evaluation did identify some good practices in E&S supervision of transport and power operations. In general, however, the candor of the E&S rating was found to be low, with some cases offering different ratings with the same justification. At the AfDB, the IPR rating on E&S aspects is assigned by the Task Manager, with or without consulting the E&S specialist. At the WB, the project rating on E&S aspects is the prerogative of the E&S specialist and can only be entered into the system by him/her.<sup>36</sup>

**While there are some good practices, the aide-memoires and BTORs of the Bank often provide insufficient information on the implementation of resettlement programs and OS 2 compliance.**

The 19 aide-memoires/BTORs of operations that have triggered OS 2 since July 2014 frequently only report on compensation amounts paid as the metric of progress. In other cases, there is only information about the procedural aspects of the compensation, but no details on the actual compensation or the situation of PAPs. For instance, the 2018 [IDEV Cabo Verde Country Strategy and Program Evaluation \(2008-17\)](#) found, through field visits and interviews, that Category 2 electricity public sector projects closed without the actual compensation of PAPs, due to problems with information from the cadaster. Similarly, in almost all the supervision reports reviewed, limited attention is paid to the broader resettlement activities (stakeholder engagement, level of functionality of the project-level grievance redress mechanism, addressing vulnerable groups, livelihood restoration, etc.) and their outcomes.<sup>37</sup> There were some exceptions to this, including the aide-memoire of a Zambia Rehabilitation Project, which reminded the borrower to address gender vulnerability in the RAP implementation process through the equal inclusion of men and women in the RAP discussions, and access to training and employment in the project. Similarly, a multinational interconnection project in Western Africa discussed the specific arrangements to address gender vulnerabilities.



**While the requirement for borrowers to send the Bank periodic reports on involuntary resettlement progress is almost systematically included in all the loan agreements of the 36 operations having triggered OS 2, very few of these reports could be accessed (for only five of the 30 operations already supervised).** It is unclear whether this is due to the fact that these documents are not produced by the borrower, are not transmitted to the Bank, or are not adequately archived at the Bank. Beyond the compliance issue, this is a major constraint for effective Bank implementation support, which should use these reports as a basis for organizing field missions and as a tool for internal reporting.

**For the case study on FI lending (56 operations, see Table 3), the desk review found that the AfDB was successful in supervising only two of the 37 evaluable FI operations at implementation stage, echoing findings in other studies.**<sup>38</sup> This dimension considered to what extent the Bank ensured implementation of ESMSs and ESMPs of sub-projects; developed BTORs with sufficient E&S content; and reviewed borrowers' environmental progress reports and proposed actions to enhance reporting (see Annex 3). The evaluation identified some good practices of the AfDB's E&S supervision reports of equity funds. The findings regarding the inadequate quality of E&S work at supervision for the AfDB's FI lending portfolio corroborate those of other analyses, both by the AfDB and by other IFIs. For instance, the conclusions of a 2014 internal Bank review found that the Bank's supervision activities of Category 4 projects did not pay enough attention to E&S aspects. In response, the E&S safeguards department deployed a special audit program to determine the level of FIs' compliance with the ESMS and reporting requirements, and also a training program for FIs. Similarly, 2018 IDEV synthesis regarding LOCs, based on evaluations of other 12 IFIs, reported specific challenges to implementing and enforcing E&S issues for these types of operations.<sup>39</sup>

**The evaluation found inadequate levels of E&S information in Bank supervision reports of FI operations to conduct safeguards compliance reviews.** Although the BTORs usually include information on the portfolio of sub-projects, they do not include further E&S details. This conclusion is aligned with the 2017 IDEV evaluation for South Africa, which found an acute lack of E&S detail at the level of the sub-projects of LOCs.<sup>40</sup> Management committed to ensure that intermediaries (LOCs, in this specific case) provide information on E&S standards at the sub-project level during supervision and monitoring. The sector department in charge of LOCs, with the support of SNSC, has recently developed a new BTOR template with an E&S monitoring checklist.<sup>41</sup> This is promising but will require its application beyond a tick-box exercise, with expert support during supervision missions. Less than half of the 38 Category 4 operations with BTORs available included an E&S monitoring section with Yes/No tick boxes, and without any rationale to support the choice. In addition, the evaluation found the candor of the E&S monitoring section questionable. The ESAP do not provide specific templates or guidance about E&S reporting of NSOs, and FI operations in particular. According to interviews, the ongoing revision of the ESAP will expand the guidance on the E&S supervision of NSOs.

**The evaluation did not find any documented evidence that the AfDB verified that FI-A operations notified or provided ESIA/ESMPs on their high-risk sub-projects.**<sup>42</sup> Three of the eight evaluable FI-A projects had at least one Category 1 sub-project in their portfolio, but they did not notify or submit any ESIA to the AfDB.<sup>43</sup> For instance, IDEV visited an FI-A Category bank in Nigeria that had not notified the AfDB or provided progress reports and ESIA on a massive Category 1 chemical plant sub-project with high environmental and occupational health and safety risks. Another Category 4 bank visited in Kenya reported that its portfolio comprises 15 Category A sub-projects, but the AfDB was not notified or provided with ESIA. In the absence of borrowers' progress reports and BTORs with E&S content, it was not possible to assess whether the remaining five FI-A projects also invested in E&S high-risk sub-projects.

**Whereas the requirement for borrowers to send the Bank periodic reports on E&S is almost systematically included in loan agreements of the Category 4 operations reviewed, the evaluation could only access two of the expected reports from FI-A and FI-B operations.**

The first of the two FIs' E&S performance reports is from a multinational equity fund with overall Satisfactory safeguards performance that presented the fund's E&S policies and three portfolio projects correctly categorized as Category 2 (B). The second one is from a Kenyan commercial bank that received various LOCs from the AfDB. This report was assessed as Unsatisfactory because it did not include any screening, categorization, environmental assessment, or monitoring reports on individual sub-projects, although its portfolio comprised 15 E&S high-risk sub-projects and 48 E&S medium-risk sub-projects. The field missions confirmed that the FIs and sub-projects have many more E&S documents to assess the compliance with the ISS than the ones that the IDEV team could find through operations colleagues or the Bank's databases. The Bank does not systematically archive the FIs' (annual or quarterly) environmental performance reports. Clients interviewed during the field visits reported that no Bank staff provided any template or asked them to submit those reports, even in the cases where this was included in the loan agreement.

## Evidence of E&S Performance in Operations

### *Performance of Bank operations in relation to involuntary resettlement, land acquisition, population displacement and compensation*

**The information on RAP implementation and progress included in the Bank's documents is insufficient to permit an assessment of the actual implementation of RAP provisions and their effects on people's livelihoods.** For instance, it is not possible to assess if the Bank's ISS objective of ensuring compensation at full replacement cost is applied, or if the compensation

packages resulted in improved standards of living or income-earning capacity of the PAP. Gaps in documentation across the project cycle jeopardize the possibility to identify the real E&S impact of the project, even when conducting ex-post field visits. For instance, during the 2018 field visit conducted in the resettlement area of a transmission-line power project in Cameroon, the evaluation team could verify that the quality of houses provided to the small number of families relocated was better than their previous ones. However, it could not verify whether the total number of people compensated were better off than before, because of deficiencies in the outdated (2009) baseline data. Similarly, none of the RAP progress information included in the supervision reports mentioned the host population, as required by ESAP 2015.

**The five borrowers' RAP implementation progress reports reviewed varied significantly in terms of quality, and were inconsistent in their coverage of key OS 2 aspects.** This ranges from one project reporting solely on compensation amounts paid out (road project in Democratic Republic of Congo) to others with very detailed progress results capturing a range of RAP implementation aspects: institutional and organizational arrangements, progress to date by activity, sections on livelihood restoration, public consultation, the grievance mechanism and monitoring arrangements. Some of these good practices are the progress reports of a Western Africa energy project, a road project in Kenya and an urban transport project in Côte d'Ivoire. One of the best borrowers' RAP progress reports was conducted by a well-established NGO in the country, which was contracted to carry out the compensation, information and communication of the project with local communities. The ISS aims at upholding the voices of people who are affected by Bank-funded operations, especially the most vulnerable communities, by providing, for example, project-level grievance and redress mechanisms (GRM). IDEV's desk review of 36 RAPs at appraisal found a good description of the project-level GRM (78 percent of cases were compliant). However,

reporting about GRM in Bank supervision reports was especially poor, with some exceptions. IRM complaints and spot-check cases flag common challenges in relation to the actual level of capacity, functionality and trust in GRMs by the PAP to resolve grievances on compensation and resettlement.

**The lack of sufficient resources is the most often cited challenge in RAP implementation.**

RAP funding is typically included as a borrower contribution to the project cost. In practice, borrowers have difficulties mobilizing the funds in a timely manner. The conditions under which borrowers could use loan proceeds to finance resettlement are not clear, according to interviews with different Bank staff. Inadequate and sporadic funding for resettlement was also identified as a challenge in the 2015 [AfDB Involuntary Resettlement Policy: Review of Implementation](#), which analyzed 69 projects. This study also mentioned that on many occasions, the costs associated with compensation increased in relation to the provisions included in appraisal documents, but this was seldom mentioned in supervision reports.

**Complex national institutional frameworks, and long procedures for land acquisition and compensation, are not fully considered in the timeline and budget of the Bank's project preparation and implementation.**

Interviews with project teams of 11 large infrastructure operations that triggered OS 2, conducted for the 2018 IDEV Quality Assurance Evaluation, found that PAP compensation processes caused delays in most (seven) of them. Interviews with Bank operations staff and project teams confirmed that the Bank's estimates of the time and budget required to plan and implement resettlement processes are usually over-optimistic.<sup>44</sup> For instance, after the approval of a public energy project in Cameroon, there were additional steps that took more than two years before actual compensation of PAPs took place.<sup>45</sup> This long process from design to real compensation of PAPs makes it difficult to enforce cut-off dates and adds extra challenges to the realism of the compensation/ resettlement budgets included in project designs.<sup>46</sup> The 2015 Bank study found that most RMCs lack supporting resettlement policies and legal frameworks, compatible with the ISS.<sup>47</sup> The Bank's

involuntary resettlement requirements are applied uniformly across the continent, but variations in RMCs' legal frameworks and policies on land management and administration affect land acquisition for projects and resettlement management, and therefore the timeliness of project implementation.

***E&S performance of the FI operations supported by the Bank***

**Of the 56 FI operations funded by the Bank since July 2014, 12 were found to be evaluable, and of these, only half had a satisfactory E&S performance.** The remaining 44 operations could not be evaluated due to deficiencies in the E&S information, because they were recently approved, or because they are not required to report on their E&S performance, being categorized as FI-C.<sup>48</sup> Out of six 'satisfactory' projects, five were equity investments and one was a LOC (see aggregated results in Annex 3). Equity funds performed well for several of the E&S indicators, probably due to the limited number of sub-projects in which they invest, the involvement of professional international-level equity fund managers, including E&S experts, and previous exposure to E&S requirements for the companies where they invest. This is aligned to the findings of the 2015 [Evaluation of Bank Group Equity Investments](#), which found that the Bank's equity funds investments contributed to the implementation of improved E&S safeguards, especially because the majority of capital is invested in companies with previous or post-investment environmental mitigation plans, or in industries that are not expected to have negative environmental impact and therefore may not require such plans.

**IDEV's site visits in Nigeria and Kenya revealed that the FIs with good E&S safeguards performance had a strong sustainability agenda, committed management and competent E&S managers to oversee ESMS implementation.** For example, one micro, small and medium enterprise (MSME) bank visited in Nigeria had hired a head of sustainability, who

has an MSc in environmental management and sustainability, and works with E&S issues on a daily basis, reporting to the CEO on monitoring and measuring ESMS compliance. She participated in the AfDB-organized FAPA training in 2014 and communicates often with the IFC to discuss their E&S reporting needs. The CEO estimated that the MSME bank allocates about US\$140,000 annually for E&S appraisal and supervision work.

**E&S performance of FIs at appraisal was found to be strong.** FIs' E&S policies and management commitment, sub-project screening and categorization procedures, and organizational capacity and staffing to implement the ESMS were successfully documented and met the AfDB's requirements in the majority of the 56 projects. Also, the monitoring and reporting systems were adequately documented in most of the ESMSs evaluated. Three multinational funds that received AfDB equity investments (Category 4, FI-A and FI-B) possessed a highly satisfactory ESMS. This is encouraging in relation to the 2011 situation reported in the AfDB's FAPA training project, where only 38 percent of 31 FIs had an ESMS in place.<sup>49</sup>

**However, the actual implementation of FIs' ESMSs was difficult to evaluate.** Out of the 36 operations that were evaluable for this dimension, the majority (72 percent) had missing or poor quality reports.<sup>50</sup> Half of the 10 evaluable FI operations with sufficient information implemented their ESMS successfully, including equity investments in four multinational funds and one LOC extended to an MSME bank in Nigeria. The 10 FIs had correctly categorized the sub-projects, except the company manufacturing advertising frames (sub-project of a bank in Kenya) that was categorized as Category 3 (low risk) instead of 2 (medium). One fund in Kenya had conducted a high quality ESIA based on IFC performance standards, and developed and duly monitored ESMPs for sub-projects. Some good practices to track the successful implementation of FI ESMSs were captured during the field visits in Nigeria and Kenya.<sup>51</sup> The FI-A operations with Category 1 sub-projects did not notify or submit any ESIA to the AfDB, as required.

**The 11 FI sub-projects visited in Nigeria and Kenya met the AfDB's E&S requirements more effectively than was the case for the FIs visited.** The detail of the results for the 41 variables assessed is included in Annex 3. The lower performance of FIs compared with their sub-projects may be explained mainly by the poor FI compliance with AfDB reporting requirements. This is aligned with the observation made in the 2008 WB IEG report on [Financing Micro, Small And Medium Enterprises: An Independent Evaluation of IFC's Experience with Financial Intermediaries in Frontier Countries](#). According to that report, the MSME sub-projects achieved higher Environmental Health and Safety (EHS) performance ratings than the MSME-FIs themselves, suggesting that results on the ground were better than the MSME-FIs' compliance with reporting requirements.

**The evaluation identified good E&S management practices at the sub-project level.** For instance, some visited companies use E&S Management Plan trackers, which provide details of the progress of different ESMP activities (including timeline, responsible staff and budget allocated); the use of Environmental, Social and Governance indicators in the monthly reporting to senior management; and documented with pictures the changes that the fund introduced in terms of EHS in the sub-projects (investee companies). A cable manufacturing company in Nigeria, which received a loan from a commercial bank through an AfDB-funded LOC, is one of the best E&S performers in the evaluation. The following supporting factors were identified during the interviews and site visits: (i) E&S support from the FI (ii) companies' clients requesting proof of quality and E&S sustainability (iii) successful standardization and certification process (iv) support from equipment suppliers in Environmental, Social, Health and Safety (ESHS) issues (v) strategy to invest in modern, energy-efficient machinery that economizes resources and factory-level integration of recycling (vi) the support of management to local community programs and schools (vii) profitable production allowing sustainable investments; and (viii) strong commitment from senior management of the company.

## Bank Efforts to Strengthen Borrowers' Safeguards Systems and to Develop their Capacity to Manage E&S Risks

**Progress on the third ISS objective (“helping borrowers/clients to strengthen their safeguards systems and develop the capacity to manage E&S risks”) was limited during the evaluation period. The evaluation found that it continues to be a relevant objective.** Due to budget and staff shortages at the Bank's E&S function, the Bank has only managed to conduct a series of studies, right after the approval of the ISS. For instance, the 2015 [Assessment of the use of “country systems” for environmental and social safeguards and their implications for AfDB-financed operations in Africa](#) looked at RMCs' E&S country systems using “equivalence analysis and acceptability” to assess the potential use of national systems. It covered six pilot countries (South Africa, Angola, Cameroon, Morocco, Sierra Leone and Tanzania). The review found weak capacity in all countries, with greater deficiencies for transition states and middle-income countries experiencing conflicts. Similarly, the 2016 [AfDB Involuntary Resettlement Policy: Review of Implementation](#) found significant gaps between country systems and the Bank's policies on: (i) stakeholder engagement (information disclosure, PAPs and CSO involvement) (ii) the identification and involvement of vulnerable groups (iii) cut-off dates, compensation and entitlement frameworks (iv) gender mainstreaming (v) institutional and organizational framework (vi) grievance mechanism (vii) environmental management at the resettlement site; and (viii) M&E. According to this document, while most members of resettlement implementing committees are familiar with the national laws, they ignore the Bank's involuntary resettlement policy requirements. The study found that in the implementation stage of resettlement, national laws prevailed over the Bank's policy requirements.<sup>52</sup> This series of studies was completed with the 2016 [Development and Indigenous Peoples in Africa report](#), which was intended to provide background information on IPs' development issues on the African continent and was informed by a forum on IPs' issues.

The AfDB is following the approach taken by the main comparators, i.e., continuing to build country capacity through technical assistance associated with specific operations. Other MDBs, such as the WB and the AsDB, have been active in the area of “country safeguards systems”. The latter is undertaking detailed “equivalence and acceptability” analysis and provided considerable capacity building of country systems. There have been no systematic evaluations on whether this work has been effective. The AfDB's safeguards work beyond the project level has been limited. Some of the BCRM-led spot-checks have recommended considering a (country) sector approach, beyond a project-by-project analysis of safeguards compliance, especially in countries where the Bank has a large active portfolio in the sector.<sup>53</sup>

**The Bank provided comprehensive support to develop the E&S capacity of the FI sector at the beginning of the evaluation period, but this was not continued afterwards.** From 2012 to 2015, the AfDB ran a successful and thorough “Fund for African Private Sector Assistance (FAPA) Training and Consultancy on E&S Management in FIs and Microfinance Institutions in Africa project”, which included in-house internal training for the Bank's staff and 10 regional workshops and in-company (FIs) coaching sessions that reached 160 people in 101 FIs. It also entailed a coordination effort with other development finance institutions in Africa. At that time, the AfDB was the only MDB to have such a comprehensive E&S capacity-building program for the FI sector. Since the end of the FAPA training, due to limited E&S staffing and budget, the Bank has provided relatively little technical assistance to develop ESMSs for FIs.<sup>54</sup> Currently, several development partners, banking organizations, central banks and consultants organize training and capacity-building events in Africa and offer e-learning courses. For example, interviews with the Central Bank of Nigeria confirmed the progress made in relation to its Sustainable Banking Principles, launched in 2012 as a voluntary network for learning and reporting on sustainable banking. At present, Nigerian local banks submit their reports



to the Central Bank of Nigeria. In addition, the IFC's Advisory Services program supported by donors and the Sustainable Banking Network have been active in promoting sustainable banking since 2012 in at least 22 countries. According to

interviews with Bank officials, the FI portfolio has grown in low-income countries since 2014. It is becoming increasingly challenging for the Bank to ensure that smaller FIs in less developed banking environments are complying with the ISS.



# Factors Affecting Safeguards Policy Implementation

**As indicated in the Theory of Change of the ISS reconstructed for this evaluation (Annex 2), the success of the ISS is predicated on certain assumptions.** For example, external factors such as the E&S capacity of borrowers and clients, and their commitment to sustainability, are key, since they are responsible for developing the E&S assessment studies and implementing the agreed mitigation measures. The implementation country context (national legislation concerning environmental impact assessment, land management and compensation, and labor) also influences the E&S performance of operations. Among the Bank's internal factors that facilitate or constrain the implementation of the ISS, the most important ones are related to: resources (human and financial); systems to review, clear and archive E&S documents; institutional incentives for quality; and knowledge of Bank staff about the ISS and their role in ensuring compliance. In addition, guidance and tools to operationalize the requirements of the system need to be clear and accessible to ensure its systematic application. These aspects are analyzed in the following sections.

## Staff Capacity, Time Allocation and Coverage

**The most significant constraint in the implementation of the ISS is the low number of E&S specialist staff and limited skillsets.** Historic staff numbers at the Bank show that the E&S function has been severely understaffed, with an unsustainable workload as a consequence. This exposes the Bank to increasing reputational risks, as demonstrated by the concentration of complaints on E&S safeguards submitted to BCRM. Fewer than 20 E&S specialists are struggling to ensure quality Bank E&S work across the project cycle

and a thorough coverage of emerging safeguards issues for the entire portfolio. The number of E&S safeguards staff was less than 10 until 2016. They received support from some long-term consultants and climate change experts. Currently, there are 19 staff<sup>55</sup> and nine long-term consultants who have recently been decentralized to the Bank's regional offices (see Annex 6). There has been high turnover, which introduced additional challenges to ensuring a systematic application of the ISS. It is a fairly new team, with an average time in the post of about four years (with one-third below four years). There is no question that lower-than-necessary staff levels affect both staff morale and safeguards quality, with potential reputational risks for the Bank.

**Compared with other MDBs, the AfDB's staffing levels are low.** The AfDB has significantly lower numbers of E&S specialists than the AsDB, the IADB and the WB African portfolio. In addition, both the WBG and the IADB Group have separate staff dealing with the E&S risks of public and private sector operations. Only the EIB has roughly the same number of E&S staff as the AfDB, although the evaluation could not compare the size of their portfolios. The IADB and the WB have recruited a significant number of their E&S specialists in the past two years. Despite difficulties in comparing figures from various MDBs, the AfDB also presents a relatively high ratio of operations staff to E&S specialists (Table A6.3 in Annex 6). The introduction of coefficients would help to better estimate budget and time needs, since the workload depends on the size and complexity of each operation, as well as the quality of the safeguards documents that the E&S specialists receive from borrowers or clients. Other organizations, such as the WB, have developed cost coefficients per project according to the E&S risk across the project cycle.<sup>56</sup> The Bank is currently developing standard budget coefficients for different

operations and products to ensure a more even distribution of human and financial resources. This should also consider the level of operations E&S risk.

**The limited number of social safeguards specialists at the Bank is a constraint to effective borrower support for the implementation of OS 2 requirements and the coverage of emerging E&S safeguards issues.**

During the period under evaluation, there have been more environmental than social safeguards specialists. The majority (75 percent) of the 15 survey respondents from SNSC (staff and long-term consultants) reported an environmental focus, while 25 percent referenced a social safeguards or policy aspect. Some respondents identified themselves as having a dual focus. The low numbers of specialists do not permit having both an environmental and a social specialist for the same project, so staff trained on environmental issues frequently handle operations with substantive resettlement components (and the opposite, social development specialists are confronted with the review of biophysical impact and risks). Similarly, it becomes difficult to assign additional staff to operations with more complex E&S impact.

**The collaboration of the Bank's E&S safeguards staff with two other cross-cutting teams (climate change and gender) at the project level, though limited, has been fruitful.** Climate screening, the categorization of operations and GHG accounting have been undertaken by Bank experts in another department (PECG) since 2017. In the context of the DBDM, the Bank has recently deployed gender advisors in the regions to, among others, support gender mainstreaming in the project cycle, including gender assessments during project preparation. Gender assessments consider “gender with an intersectionality perspective”, which factors in the combination of gender and age, ethnicity, location, and income level, among others. This concept is well aligned with the ISS notion of “vulnerable groups”. There are fruitful ad-hoc experiences of

cross-support linkages to improve the quality of the E&S work, especially in relation to the CSS, the analysis of vulnerable groups as part of the E&S due diligence, and mainstreaming gender into involuntary resettlement.<sup>57</sup>

**With the current level of E&S staffing, it is possible to support the supervision of only half of the ongoing high-risk portfolio.**

According to calculations of SNSC, although the team exceeded expectations in relation to the E&S quality at entry due diligence for the 2018 indicative operational pipeline, it is not able to support the Category 1 and 2 operations under implementation, as required by the ISS. This is also confirmed by the time allocation of the AfDB's E&S specialists surveyed for this evaluation: 60 percent for pre-approval review, validation and summary of E&S; 19 percent for E&S implementation support; and the rest for borrower capacity building and responding to BCRM-led complaints and advisory reviews of project compliance. The large portfolio covered by each SNSC staff member makes any meaningful and sustained engagement with borrowers across the project cycle very limited. This was also confirmed by interviews with the Bank's operations staff and the analysis of participation of E&S experts in project field supervisions. Their participation in supervision teams was found to be especially low for the FI lending portfolio and Category 2 operations.<sup>58</sup>

**Inadequate AfDB post-approval E&S support to borrowers goes against the international trend and creates a significant reputational risk.** All of the MDBs are turning their attention to supervision, as it is often during project implementation that E&S risks are most pronounced. The Bank's current E&S staff level is clearly insufficient to provide E&S implementation support to a comparable proportion of the more than 700 ongoing AfDB operations (see Annex 6). In addition to increasing the number of E&S specialists, another possible method for improving E&S implementation support is the use of third-party monitoring, which is not clearly mentioned in the ISS and guidance notes.

## Information Management Systems to Archive Key E&S Documents, Facilitate ISS Safeguards Compliance Reviews and Ensure Learning Loops

The evaluation found serious deficiencies in the Bank's archiving system of E&S documents to verify operations' compliance with the requirements of the ISS over the project cycle. According to the ISS, the ISTS should track and store key E&S information generated over the lifetime of projects that have been cleared as ISS compliant. It was launched in 2015 with three functions (i) project knowledge repository function; (ii) workflow and tracking function and (iii) collaboration function. However, the ISTS has not been fully designed and operationalized as expected, and was not systematically used during the evaluation period. Databases of other Bank departments also have limited E&S documentation. Along with understaffing, this is one of the most significant constraints to ISS implementation. Poor archiving affects both efficiency and the ability of the Bank to ensure compliance and disseminate knowledge of E&S best practice. As outlined in a recent report on upgrading the ISTS, the system does not save project monitoring, supervision and completions reports, and does not allow for aggregated analysis nor producing reports.<sup>59</sup>

**It is not clear if and how the project-level information related to E&S safeguards will be integrated in the ongoing Bank-wide efforts to improve the accountability of Bank supervision and to streamline reporting requirements.** The Bank launched the Results Reporting System in January 2019—an automated system to track progress on key indicators in the logical framework and overall implementation progress. Moreover, the Bank is testing a one-stop shop for all information related to individual projects (the Operations Portal), which should connect existing information systems (including the Strategic Resource Allocation System, Bank Project Processing Schedule, Activity Time Recording System and Board Rolling Agenda).<sup>60</sup> Any revamp of the ISTS should be properly linked to these efforts at data and knowledge management across the institution.

The Bank discontinued the conduct of safeguards compliance reviews/E&S audits in 2015. They had high potential to proactively monitor and improve the Bank's E&S due diligence and borrowers' performance, and feed lessons into ongoing operations. As a complement to project-level E&S supervision, the ESAP include "full compliance reviews, also known as E&S audits, conducted by the compliance and safeguards division" (today, department). This useful oversight and accountability tool has hardly been used, due to budget and staff shortages at the E&S function.<sup>61</sup> In parallel, the Board of Directors of the Bank decided in 2015 to extend the mandate of the Independent Review Mechanism (IRM) of the AfDB, to not only handle complaints of persons affected by projects, but also conduct internally initiated "spot-check advisory reviews of project compliance". Most of the spot-checks are focused on E&S safeguards issues. No other IFI has extended the mandate of its independent accountability mechanism in this way. The IRM has conducted six spot-checks in five countries and two additional ones are ongoing in 2019.<sup>62</sup> The spot-checks are an interesting accountability tool whose budget per project is similar to the "safeguards compliance reviews or E&S audits" undertaken by the E&S compliance function, and well above the usual project-level E&S supervision missions conducted by SNSC staff.

## Institutional Incentives

**The timetables for project approval do not always consider the maturity of resettlement planning and environmental assessments, which affects the quality of the E&S studies cleared by the Bank.** Bank incentives and organizational KPIs continue to emphasize lending and disbursement targets, despite ongoing Bank-wide efforts to more strongly emphasize quality and results.<sup>63</sup> In some cases, E&S officers cannot influence the ToRs for developing the ESIs or RAPs, or may have limited time in which to engage with borrowers or clients to improve those studies.



**In addition, E&S implementation support and safeguards results are not part of the Bank's KPIs.**

The Bank has been reporting on the “proportion of operations with satisfactory E&S mitigation measures” as the corporate-level indicator for E&S safeguards in its Annual Development Effectiveness Review. This indicator examines “operations fully appraised for E&S impact and risks”, and as such is focused on pre-approval E&S work. The Bank does not track and report on the actual implementation or results of the E&S mitigation measures agreed with borrowers/clients on the environment and people potentially affected by Bank-funded operations. Similarly, the reports from the E&S safeguards units since 2014 have only included the number of validations of project E&S categorizations, E&S instruments cleared, and the number of Readiness Reviews of PCNs and PARs where the E&S dimension was screened during preparation and appraisal. The annual number of project-level supervision missions that E&S specialists supported is not reported.

**SNSC does not manage its own budget to decide which operations require additional E&S support across the project cycle. However, this does not seem to be a major constraint, after the improved articulation of mission planning between E&S specialists and Bank operations staff.** Interviewees for this evaluation reported an increasing perception of the value-added of the E&S safeguards function by operations staff, which translates into more timely access to the operations' mission programming and more regular association to missions. This is also facilitated by the decentralization of Bank staff, including E&S specialists, to the regions. Currently, the Bank is finalizing the Delegation of Authority Matrix (DAM). The definition of the role of E&S specialists at different stages of the project cycle will be key to ensuring implementation of the Bank's E&S due diligence to achieve the ISS objectives. The E&S departments of other organizations, such as the WB and the IFC, manage their own budgets and decide which operations they want to field visit. The fact that support departments do not control their own budgets to go for supervision missions seems to be less of a priority at the AfDB, according to interviews.

## **Knowledge of the ISS Requirements by Key Actors and Training Provided**

### ***Borrowers' and clients' awareness of the ISS requirements***

**According to interviews with Bank staff and desk reviews, limited technical capacity of borrowers and gaps between the ISS and national legislation influence the overall low quality of E&S assessments.** For instance, while borrower countries have land expropriation legislation and procedures, they do not usually have guidance regarding the content of RAPs in their legal frameworks. Therefore, borrowers have limited familiarity with this tool unless they have already worked with MDBs. Bank E&S specialists who responded to the evaluation survey reported that they use an average of 16 percent of their time for technical assistance and E&S capacity building of clients and borrowers, which seems to be too low for the capacities of the region. In addition, borrowers' E&S assessment studies are usually conducted by consultancy firms, whose knowledge of the ISS requirements could not be assessed.

**Apart from the outreach activities of BCRM, no other Bank department has the resources to train or sensitize external project-funded stakeholders regarding the ISS requirements.** The SNSC team has not had any budget to conduct external training, after the regional consultations to design the ISS in 2012. However, the team participates in a slot of the BCRM-organized outreach activities for CSOs and Project Implementation Units PIUs. Another way to reinforce the role and responsibilities of borrowers in relation to the ISS is through the project launching missions, where the E&S mitigation measures could be discussed with the staff of project units to ensure they are also translated into contractors' bids. IDEV's 2018 Evaluation of the [Quality of Supervision and Exit of AfDB Group Operations \(2012-17\)](#) found that only 48 percent of the projects reviewed had a project launching mission. Interviewees reported that on many occasions they happened too early (before

the permanent project team was on board), with too limited duration to cover key issues.<sup>64</sup> In addition, the participation of E&S specialists in supervision missions is limited by their numbers and the size of the portfolio (see the section on "Staff capacity, time allocation and coverage"). These are also opportunities to continue sensitizing borrowers regarding the ISS requirements and to ensure their actual implementation.

**A survey of CSOs conducted for this evaluation found limited familiarity with the ISS process and underpinnings.** Although the majority responded that they were generally satisfied with the past interaction with the Bank's safeguards policies and processes, they indicated that the staff from comparator donor organizations were more responsive than AfDB staff.<sup>65</sup> The high workload of Bank E&S specialists prevents them from meaningfully engaging with CSOs at the RMC level, and at project sites in particular, throughout the project cycle.

### ***Bank staff and consultants' knowledge of the ISS***

**There is a considerable level of awareness of the ISS requirements among those who work closely with the ISS. However, this is not necessarily the case for Bank operations staff, such as staff in regions and sector staff.** According to the interviews conducted, the level of knowledge of the specific ISS requirements for different types of lending instruments varies across Bank staff.<sup>66</sup> Region and sector staff managing infrastructure investment operations were familiar overall with E&S risk management, especially for Category 1 operations, and when there is involuntary resettlement. However, they had more limited knowledge of emerging issues beyond monetary compensation of PAPs. Most AfDB staff originating and managing PBOs are not aware that the ISS also applies to these lending instruments. Staff from the non-sovereign departments of the Bank in charge of most of Category 4 operations reported a limited awareness of the details of the ISS, for instance the need to include the sub-categorizations (FI-A, FI-

B, FI-C) and the importance of E&S safeguards work, especially during implementation.<sup>67</sup>

**Existing training on E&S issues for public and private sector operations staff is not specific enough on the ISS requirements of various types of lending instruments.** Even MDBs with significantly higher numbers of E&S experts than the AfDB recognize that it is necessary that operations teams are fully aware of the main E&S requirements, the time needed for E&S specialists to support borrowers to finalize quality E&S assessments, and the importance of monitoring the implementation of agreed E&S mitigation measures. Following the task team concept included in the Bank's Operations Manual, E&S staff are responsible for providing technical advice, while task managers are responsible for consolidating their inputs in project implementation and completion reporting. After the approval of the ISS, a series of trainings was targeted at the Bank's operations staff. The materials for a two-day workshop are still available on the Bank intranet. The evaluation did not find any record of the number of training sessions delivered, or lists of participants. Successful training focused on the E&S risks of the banking sector was deployed and highly appreciated by all the interviewees (see Section 3.3). The training catalogue of the 2018 non-sovereign operations capacity-building program includes a generic E&S safeguards module, but there have not yet been any sessions. In addition, in 2019, the Bank is launching a comprehensive and mandatory online-based Operations Academy for all operations staff, with some modules regarding E&S safeguards. This generic ISS training should be complemented by tailored modules and hands-on support from E&S specialists to improve the compliance and performance of various types of Bank-supported operations.

**SNSC has not developed induction training on the specificities of the ISS for new E&S staff and consultants, nor ensured regular access for the team to training on E&S emerging issues.** Interviews and focus group discussions with E&S specialists indicate that some of them have difficulties in dealing with the broad scope of

E&S risks of the portfolio. For instance, FI operations usually involve a range of E&S risks in the same operation, which may be on-lent to several sectors. Similarly, emerging safeguards issues (biodiversity, labor, health impact and stakeholder engagement) require continuous training to cope with the increasing E&S complexity of operations aligned with the Bank's High 5s.

### ISS-Related Guidance Available to Operationalize the ISS Requirements

**The three guidance volumes prepared as part of the ISS rollout are comprehensive and useful. However, additional guidance appears to be necessary to assist Bank staff and borrowers to systematically apply the system.** Based on a thorough document review of the AfDB's and other organizations' E&S systems, interviews and focus group discussions, the most pressing topics for additional guidance are related to: (i) an increasingly complex process of involuntary resettlement, including when to apply Resettlement Policy Frameworks (ii) how to treat specific vulnerable groups, for instance how to integrate gender and disability issues (iii) the use of third-party monitoring to improve safeguards implementation and reporting (iv) how and when to conduct stakeholder engagement; and (v) how to conduct E&S due diligence of associated facilities.

**There is no standardized tool to assess RAP compliance with OS 2 requirements in the ESAP guidance.** There is no standard checklist to review whether RAPs are ISS-compliant. According to interviews, the assessment of compliance with OS 2 is carried out by E&S specialists using a variety of methods, including in "tracked changes" on borrowers' documents or through tabular comments based on the policy requirements. As a result, the assessment of compliance leaves room for differences in understanding among E&S officers, some of them being environmental specialists and so not experts in resettlement or social development. In addition, the instructions on the areas found to be

poorly addressed in RAPs could be further developed to ensure systematic application, when applicable. These include: demonstrating "Broad Community Support"; identifying vulnerable groups and including differentiated measures so that adverse impact do not fall disproportionately upon them; and templates for monitoring and reporting on RAP implementation beyond monetary compensation.

**There is no clarity in the ISS documents regarding the potential use of Resettlement Policy Frameworks, although some projects have been approved using this tool.** The evaluation captured some isolated cases where a program was approved using a Resettlement Policy Framework, though this instrument is not in the menu of instruments according to OS 2. This is a practice used by other lenders (World Bank, IFC, ERBD) when, at approval, the nature of works is not known and, hence, it is not possible to expect a detailed RAP document to be prepared. There are divergent positions among the SNSC team regarding the adequacy of this option for AfDB-supported operations. On one hand, some consider it more realistic than having "final and cleared RAPs" for Board approval, when considering the long time and dynamism of resettlement processes. On the other hand, some consider that it is not well adapted for the Bank, especially due to the difficulties in ensuring E&S due diligence after Board approval.

**In the ISS Policy Statement, the importance of reducing gender inequality and boosting gender inclusion is noted, but it does not provide sufficient detail on how to address these concerns.** OS 1 indicates that a fundamental requirement of the safeguard should be to identify and assess E&S impact and risks, including those related to gender. The guidance only includes some generic paragraphs on gender under the section on vulnerable groups. Increasingly, other MDBs have recognized that one way in which to mainstream gender into project design is through the use of safeguards. For example, the IADB's safeguard screening system now contains a gender module, and a gender consultant provides direct technical support and training to identify gender risks

in projects.<sup>68</sup> The EIB requires the promoter (borrower) to ensure that compensation and income restoration measures are implemented without discrimination based on gender, race, ethnicity, religion, disability or other prohibited grounds.<sup>69</sup> The World Bank has recently developed technical guidelines for gender mainstreaming at all stages of the resettlement process in development projects.<sup>70</sup> Some of the comparator MDBs have also been dealing with how to recognize and act against gender-based violence. This is an issue that is not dealt with in the ISS.

**Disability is another issue that is gaining prominence in the safeguards work of MDBs, but it is only mentioned once in OS 5 (labor conditions, health and safety), and not in the ESAP.** Disabled people are vulnerable to the potentially negative impact of development projects and they are treated as such in the ISS. However, other organizations have further developed guidance to address this issue. For instance, the World Bank has recognized this by recently developing a Disability and Inclusion Framework.<sup>71</sup> The ad-hoc collaboration between the Bank's E&S safeguards staff and gender experts at the project level could be captured in further guidance to improve the identification and treatment of vulnerable groups during Bank safeguards work, including inequalities related to gender, disability, race and ethnicity, among others.

**The use of third parties for monitoring the implementation of the E&S mitigation measures agreed with borrowers at appraisal has not been expanded in the ISS.** The ISS mentions this option in the Safeguards Policy Statement, for: (i) support of supervision and monitoring of projects by civil society groups and (ii) to monitor compliance of complex projects or when conflicts with host communities arise by independent E&S advisors,

consultants, monitors and auditors. However, there is no guidance on how third-party monitoring should take place and under which conditions. The limited amount of Bank E&S staff time dedicated to post-approval E&S scrutinizing and support requires alternatives to ensure compliance reviews. This has been tried by other MDBs, contracting an external entity to undertake monitoring on behalf of the borrower or the MDB.

**Guidance on when and how to use Stakeholder Engagement Plans for meaningful consultation, including how to engage more systematically with CSOs, has not been sufficiently developed in the ISS.** In the survey of CSOs undertaken for this evaluation, only 19 percent of respondents indicated that they had any familiarity with the Bank's ISS. Several responses requested simpler communication channels that describe the process and underpinnings of the ISS. Other respondents highlighted the need to target local communities in general, not only CSO representatives. Various comparator organizations have also recently developed further guidance regarding stakeholder engagement and meaningful consultation due to the high number of complaints received that relate to this key safeguard issue.<sup>72</sup>

**Detailed guidance on how to deal with "associated facilities" during E&S assessment is missing in the procedures and guidance of the ISS.** Associated facilities are assets, activities or facilities not funded by the Bank but whose existence depends on the project or whose goods and services are essential for its successful operation. The ISS Policy Statement, OSs and ESAP make passing mention of associated facilities. This issue is likely to become more important as the Bank moves towards financing much larger infrastructure projects under the Ten-Year Strategy and the High 5s.







# Conclusions

**The ISS approved by the AfDB at the end of 2013 is well aligned with international best practice, compared with the E&S safeguards systems of the major MDBs with similar portfolios.** It remains relevant, and a full update of the policy is not deemed necessary. However, some improvements in certain specific ISS components (Operational Safeguards, Environmental and Social Assessment Procedures, and Guidance Notes) are advisable. Although it is too early to evaluate the application of certain emerging safeguards issues by sister organizations, the Bank could strengthen its E&S safeguards provisions on these selected topics with more guidance to ensure a more systematic application, when relevant for the nature of the operation and its context.

**The ambitious and wide scope of E&S safeguards issues to be applied to the entire AfDB portfolio has not been accompanied by commensurate human and financial**

**resources, and systems to ensure compliance and achieve safeguards results.** The Bank has significantly lower numbers of E&S staff and consultants than similar organizations, and has difficulty in supporting borrowers to manage E&S risks, especially during implementation. The Bank has not managed to operationalize and use a data management system to allow systematic application of the E&S procedures and to undertake regular safeguards compliance checks. Training and sensitization efforts for internal and external stakeholders have been too limited to ensure a common understanding of the ISS process and the actions required to achieve the objectives of the Bank's ISS.

The main conclusions are summarized in the following tables. This section also suggests possible further ISS analysis, before presenting the evaluation recommendations.

**Table 5:** Relevance and coverage of the AfDB's Safeguards Policy Framework

Strengths	Weaknesses & Challenges
<ul style="list-style-type: none"> <li>Good level of harmonization with other MDB safeguards systems, integration of E&amp;S risks.</li> <li>Most key safeguards issues are well covered, with some adjustments to be included.</li> <li>Climate change mainstreaming is adequately dealt with through the Climate Safeguards System and the Greenhouse Gases Accounting Tool.</li> <li>Good alignment between the ISS and the Bank's Ten-Year Strategy and High 5s.</li> <li>In addition to investment project financing, E&amp;S due diligence is applied at appraisal to regional and sector investment programs and FI operations.</li> </ul>	<ul style="list-style-type: none"> <li>Unclear relationship between the Bank 2003 Involuntary Resettlement Policy and OS 2.</li> <li>The ESAP are too focused on public sector operations; and there are inconsistencies of requirements for medium-risk (Category 2) operations.</li> <li>Despite good identification of emerging safeguards issues during the ISS policy design, further guidance is needed on some of them.</li> <li>Lack of clarity on the rules of engagement in relation to E&amp;S safeguards when operations are co-financed.</li> <li>Improvements to be done in the ISS policy requirements relating to PBOs and FI lending.</li> </ul>

**Table 6:** Effectiveness: Safeguards results

Strengths	Weaknesses & Challenges
<ul style="list-style-type: none"> <li>The Bank's E&amp;S categorization is quite systematic, although some improvements are needed.</li> <li>An increasing proportion of operations has climate-informed design; screening and tracking methodologies refined, and practice more systematic.</li> <li>An increasing proportion of public sector operations obtains a satisfactory E&amp;S rating at appraisal, but room for improvement to ensure compliance.</li> <li>Most of the E&amp;S outputs at appraisal are compliant, with room for improvement, especially for Category 2 operations and for RAPs. There is a trend of improved quality of RAPs since 2014.</li> <li>Good level of compliance with the disclosure requirements, but lack of documentation of the disclosure of ESMS summaries by FIs.</li> <li>The Bank's overall satisfactory E&amp;S work at appraisal of FI lending. FI sub-projects visited performed better than the FIs visited.</li> <li>Various best practices identified in relation to E&amp;S performance of operations involving involuntary resettlement and Category 4 operations and their sub-projects.</li> <li>Good effort to produce country-level studies and comprehensive E&amp;S capacity support to the FI sector after ISS became operational. However, this was not maintained afterwards.</li> </ul>	<ul style="list-style-type: none"> <li>The maturity of the E&amp;S studies is not considered as a "readiness filter" during preparation, with consequences for quality.</li> <li>There is no evidence of systematic use of the disclosed E&amp;S assessments by external stakeholders. The Bank's website has limitations to enabling users to provide feedback, and dissemination at country and local levels seems limited.</li> <li>Lack of standardization of the inclusion of E&amp;S loan conditions and covenants, and poor reporting on their fulfilment.</li> <li>Low compliance with E&amp;S reporting requirements, both for Bank E&amp;S due diligence and borrowers' progress reports for all types of operations reviewed.</li> <li>Limited available documentation precludes the assessment of actual implementation of the E&amp;S mitigation measures agreed at approval. For projects involving involuntary resettlement, Bank and borrowers' reports do not allow the assessment of the real implementation of RAP provisions and their results on people's livelihoods.</li> <li>Overall inadequate quality of Bank E&amp;S work during implementation for the FI lending portfolio (Category 4 operations).</li> <li>Limited progress on the ISS objective to help borrowers and clients to strengthen their safeguards systems.</li> </ul>

**Table 7:** Factors affecting the implementation of the AfDB's safeguards policy

Strengths	Weaknesses & Challenges
<ul style="list-style-type: none"> <li>Collaboration between teams dealing with E&amp;S safeguards, gender and climate change, though limited, was fruitful.</li> <li>Good level of ISS knowledge among Bank staff of public infrastructure operations.</li> <li>ISS guidance notes are comprehensive and useful, although certain areas should be strengthened to: (i) embrace the increasing complexity of resettlement processes; (ii) ensure the systematic treatment of specific vulnerable groups; (iii) clarify the use of third-party monitors; (iv) strengthen stakeholders' engagement; and (v) clarify how to deal with associated facilities.</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S function understaffed, with an unsustainable workload. Constraints on the coverage of some safeguards issues, and implementation support to only 50% of the portfolio.</li> <li>Safeguards compliance reviews conducted by Management. However, has been discontinued since 2015 serious deficiencies in the Bank's archiving of E&amp;S documents across the project cycle to verify compliance.</li> <li>Varying levels of ISS knowledge among private sector and governance Bank staff.</li> <li>Bank E&amp;S safeguards KPIs are focused on the pre-approval phase, with insufficient attention for the implementation phase.</li> <li>Borrowers' technical capacity constraints and gaps between the ISS and national legislation, thereby negatively affecting the quality and results of E&amp;S work.</li> <li>E&amp;S specialists are able to engage in very limited manner with project teams across the project cycle.</li> <li>Induction and training for the Bank's E&amp;S specialists is very limited, and insufficient to cope with the increasing complexity of safeguards issues and their application to the entire portfolio.</li> </ul>

The evaluation identified the following knowledge gaps, where future analysis could usefully be conducted:

- Assessment of the challenges posed by the increasing E&S risk of the portfolio, aligned with the High 5s. For instance, large-scale land-based agricultural investments and regional infrastructure investments;
- Analysis of the application of the ISS in contexts and clients with varying capacities, such as countries facing issues of fragility;
- The implications of the institutional reforms on the dual mandate of the Bank's E&S safeguards function;
- Analysis of E&S due diligence at completion once a cohort of operations approved under the ISS reach maturity and finish their completion reports; and
- In-depth analysis of issues related to conservation of biological diversity and the promotion of the sustainable use of natural resources (OS 3) and labor conditions, health and safety (OS 5).



# Recommendations

## Recommendation 1: THE BANK'S E&S RESOURCES

– Increase the Bank's E&S resources to better support borrowers and clients to manage E&S impact and risks across the project cycle, by:

- enhancing the AfDB E&S team's capacities, numbers and skillsets to ensure that E&S implementation support covers all lending products, including FI operations, as well as medium-risk (Category 2) operations; and
- establishing systematic cross-support linkages between the teams dealing with E&S safeguards, climate change and gender.

**Recommendation 2: INFORMATION SYSTEM AND ACCOUNTABILITY** – Develop an integrated and automated management information system across the project cycle and enhance SNSC's oversight function to inform strategic decisions and foster accountability, by:

- revamping the Integrated Safeguards Tracking System (ISTS) to ensure proper archiving of key ISS-compliant documents and linking it to other Bank-wide operations databases, maintained both by public and private sector operations departments; and
- resuming the Management-led safeguards compliance reviews/E&S audits.

**Recommendation 3: ISS COVERAGE** – Strengthen the content and guidance of certain selected safeguards components to ensure full alignment with international best practice, by:

- extending the coverage of Operational Safeguard 5 to community health and safety issues;
- making Stakeholder Engagement Plans mandatory for Category 1 operations;

- clarifying the relationship between the 2003 Involuntary Resettlement Policy and Operational Safeguard 2; providing clarity on the conditions for using loan proceeds to fund involuntary resettlement and compensation; and further developing the existing guidance to encompass the increasing complexity of involuntary resettlement processes;
- ensuring that the revised ESAP: (i) clarify co-financing scenarios and their implications for E&S safeguards; (ii) provide additional templates for implementation support and borrower reporting for private sector operations, including FI lending; and (iii) further detail the requirements for Category 2 operations; and
- developing additional guidance to: (i) better address the specific needs of project-affected vulnerable groups (gender aspects, gender-based violence and disability, among others); (ii) provide clarity about the use of third-party monitors; (iii) improve stakeholder engagement; and (iv) conduct E&S due diligence of operations' associated facilities.

**Recommendation 4: QUALITY OF BANK E&S WORK BEFORE APPROVAL** – Strengthen the quality, by:

- reviewing the Readiness Review process to ensure that project E&S assessment studies are completed and disclosed before the end of the preparation phase;
- ensuring compliance with the E&S sub-categorization of FI operations and standardizing the loan covenants regarding E&S reporting for FIs (Category 4 operations);
- reviewing the Environmental and Social Management Systems (ESMSs) of companies



receiving AfDB corporate loans to ensure that the proposed E&S assessment framework fits their needs to manage E&S risks, and categorize them accordingly;

- piloting Strategic Environmental and Social Assessments (SESAs) for medium- and high-risk sector program-based operations (PBOs). Provide additional guidance on the E&S screening and categorization of PBOs, and further develop how to conduct SESAs; and
- formalizing the Bank's full disclosure of borrowers' E&S assessment documents; eliminating the ESAP requirement for Bank E&S staff to summarize them; and developing the functionality for stakeholders to provide feedback on E&S assessment reports on the Bank's website.

**Recommendation 5: QUALITY OF BANK E&S WORK DURING IMPLEMENTATION – Strengthen safeguards reporting to sharpen the focus on delivery and results, by:**

- tracking and reporting on the E&S implementation support provided to borrowers;
- ensuring candid reporting on the fulfilment of E&S covenants in Bank's supervision reports;
- enforcing the use by borrowers of the "safeguards results matrix" to report on progress of E&S mitigation measures, reviewing them, providing feedback to borrowers and summarizing this information in the Bank's supervision reports to inform E&S ratings;

- improving the reporting on resettlement measures, including information regarding all RAP provisions and their effects on people's livelihoods, beyond procedural aspects and monetary compensation of PAPs; and

- improving communication with borrowers regarding ISS reporting requirements for various types of lending instruments, and avoiding duplication by harmonizing them with other partners' reporting requirements.

**Recommendation 6: ISS TRAINING – Reinforce the knowledge and awareness of internal and external stakeholders on the ISS requirements, by:**

- developing additional tailored training on the ISS requirements for specific lending products, prioritizing those for FI operations, and deepening the training on managing involuntary resettlement processes;
- developing induction training for new E&S staff and consultants, and expanding their access to training on emerging safeguards issues;
- systematically associating an E&S specialist in project launching missions to reinforce the knowledge of Project Implementation Units regarding the specific ISS requirements and identify capacity gaps; and
- launching discussions with other development partners on opportunities to jointly organize capacity building in E&S performance for staff of executing agencies of Bank-funded projects, the international and local E&S consulting sector, national environment and land management regulatory agencies, and CSOs.

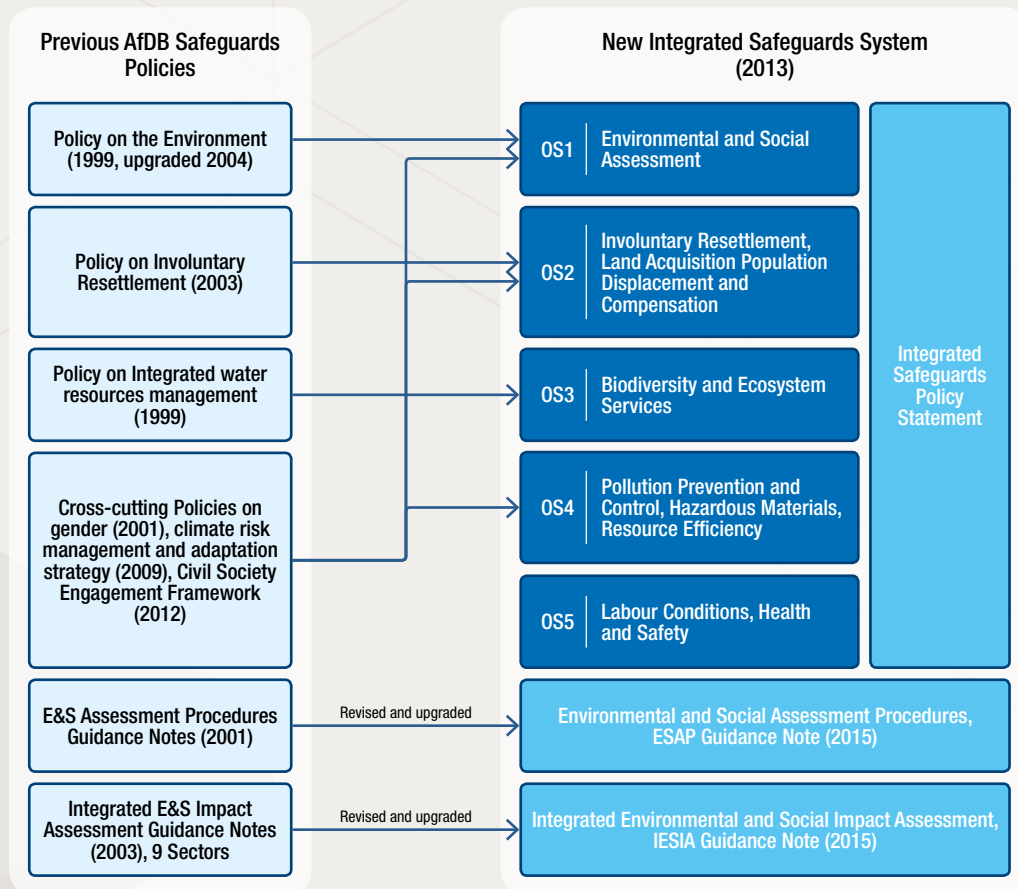


## Annex 1 — E&S Safeguards Policies at the AfDB

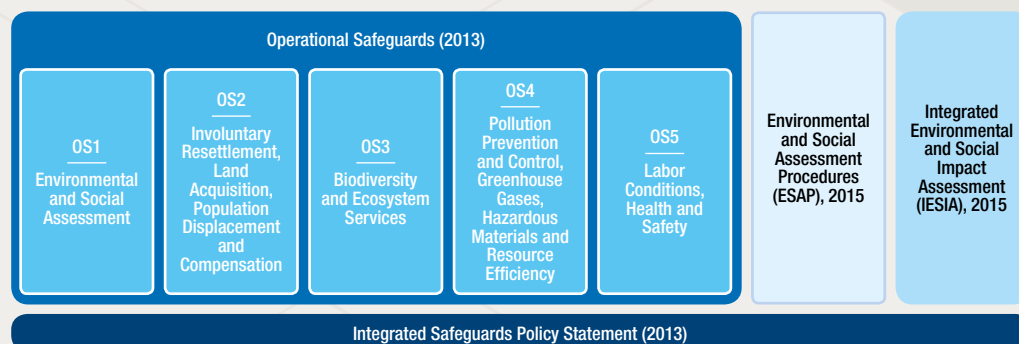
On 17 December 2013, the Board of Directors of the African Development Bank unanimously adopted the Integrated Safeguards System (ISS). This system builds on, consolidates and integrates the individual safeguard policies, procedures and cross-cutting policies that were developed starting in 1999 (Figure A1.1). The ISS supersedes the provisions in previous policies on E&S safeguards and compliance, according to page 5 of the Policy Statement.

**The ISS consists of four components:** (i) an overall Policy Statement; (ii) five Operational Safeguards (OSs); (iii) technical guidance in the form of ESAP; and (iv) a set of IESIA guidance notes.

**Figure A1.1:** Evolution of the ESS Policy Framework at the Bank



**Figure A1.2:** Components of the AfDB's Integrated Safeguards System



## Policy Statement

The Policy Statement defines the objectives of the ISS and the general commitments of the Bank to manage E&S risks in projects and programs. It also sets out the basic roles and responsibilities of both the Bank and the borrower. Some of the commitments include: systematic assessment of impact and risks; application of the ISS to the entire portfolio; proportionality and adaptive management; transparency, good governance and inclusivity; protecting the most vulnerable; promoting gender equality and poverty reduction; harmonization and facilitation of donor co-ordination; compliance monitoring and supervision of safeguards; strengthening country systems; and country-level grievance and redress mechanisms.

## Operational Safeguards

The five OSs set out the operational requirements for the borrower. They are designed to support the integration of the assessment of E&S impact into operational processes and to promote sustainability and long-term development, by preventing projects from adversely affecting the environment and local communities, and ensuring that risks are properly minimized, mitigated and/or compensated. They are described in the following table.

**Table A1.1:** The Five OSs and Their Applicability

Operational Safeguards	Applicability and Objectives
<b>OS1:</b> Environmental and Social Assessment	This overarching OS applies to all projects. It governs the process of determining a project's: (i) E&S category and associated assessment requirements (ii) scope of application, including on a project's vulnerability to climate change and associated resilience (iii) assessment of vulnerable groups (iv) public consultation and disclosure, and (v) grievance and redress mechanisms, and determines the applicability of the Bank's other OSs.
<b>OS2:</b> Involuntary Resettlement, Land Acquisition, Population Displacement and Compensation	Applies to any Bank-financed operation that causes the involuntary resettlement of people. It is intended to avoid resettlement where feasible or minimize its impact when necessary, and ensure that when people must be displaced, they are treated fairly, equitably and in a socially and culturally sensitive manner. It covers both physical and economic displacement, compensation at full replacement cost, and the requirement that host communities share in development opportunities.
<b>OS3:</b> Biodiversity and Ecosystem Services	Applies to Bank operations that: (i) are located in any type of "habitat" (ii) involve ecosystems that potentially affected stakeholders depend upon for survival, sustenance or primary income (ecosystems services) (iii) extract renewable resources as a primary purpose; or (iv) involve the use and commercialization of an indigenous knowledge system. This OS outlines the requirements for borrowers to: (i) identify and implement opportunities to conserve and sustainably use biodiversity and natural habitats; and (ii) observe, implement and respond to requirements for the conservation and sustainable management of priority ecosystems, including prevent the introduction of invasive alien species.
<b>OS4:</b> Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency	Intended to foster high-quality environmental performance and efficient and sustainable use of natural resources over the life of a project. It includes a specific section on dealing with waste and hazardous materials, and GHGs. Specific requirements and thresholds are set out in the WB Environmental Health and Safety Guidelines and other applicable international standards.
<b>OS5:</b> Labor Conditions, Health and Safety	Designed to help protect workers' conditions, rights and protection from abuse or exploitation, building on ILO standards and the UNICEF Convention on the Rights of the Child.

## Practical and Technical Guidance

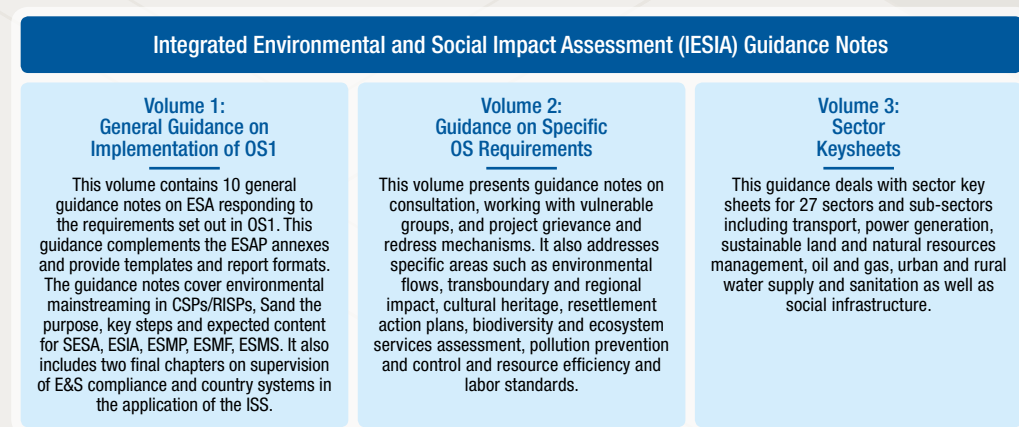
The Bank developed practical and technical guidance materials to replace older guidance, and to provide support to Bank staff and borrowers on the implementation of processes associated with the ISS:

- the Environmental and Social Assessment Procedures (ESAP), and
- the Integrated Environmental and Social Impact Assessment (IESIA) guidance notes.

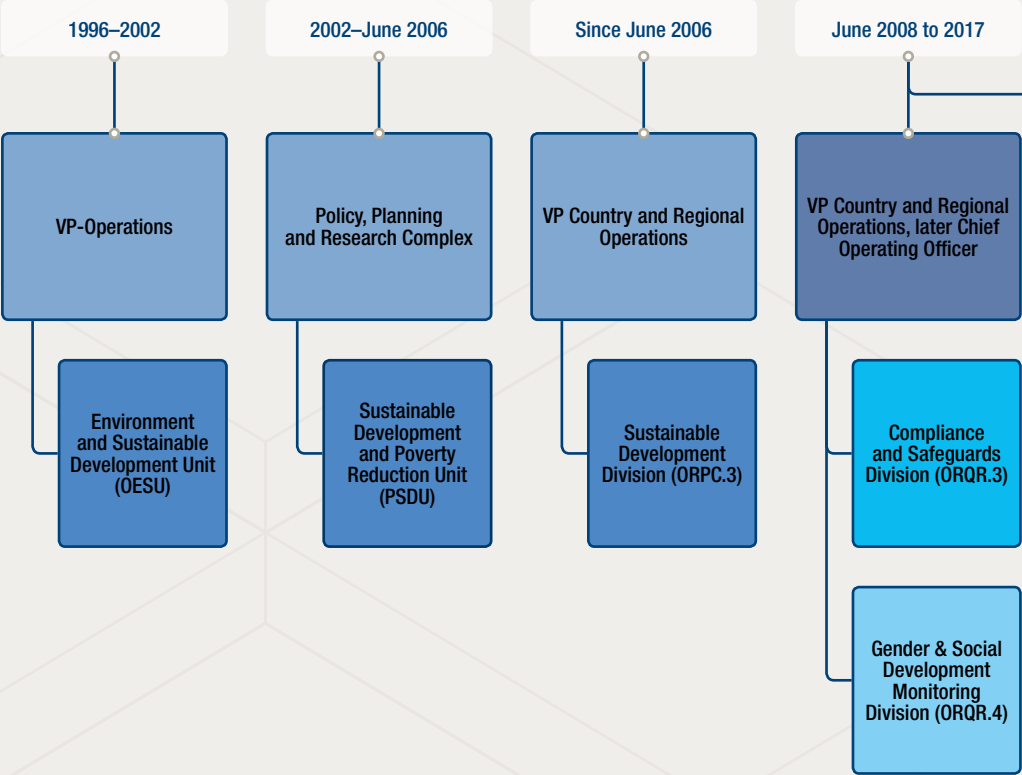
The ESAP replace the 2001 and 2000 versions for public and private sector operations, and describe the steps required to implement the ISS at every stage of the project cycle.

The IESIA Guidance Notes provide technical guidance for the Bank and its borrowers on specific methodological approaches or standards and management measures relevant to meeting the requirements of the ISS. They include guidance on aspects of the project cycle where compliance has been weak, general guidance on ESIA, topic-specific guidance relevant to specific themes and requirements, and sector-specific guidance (brief key sheets).

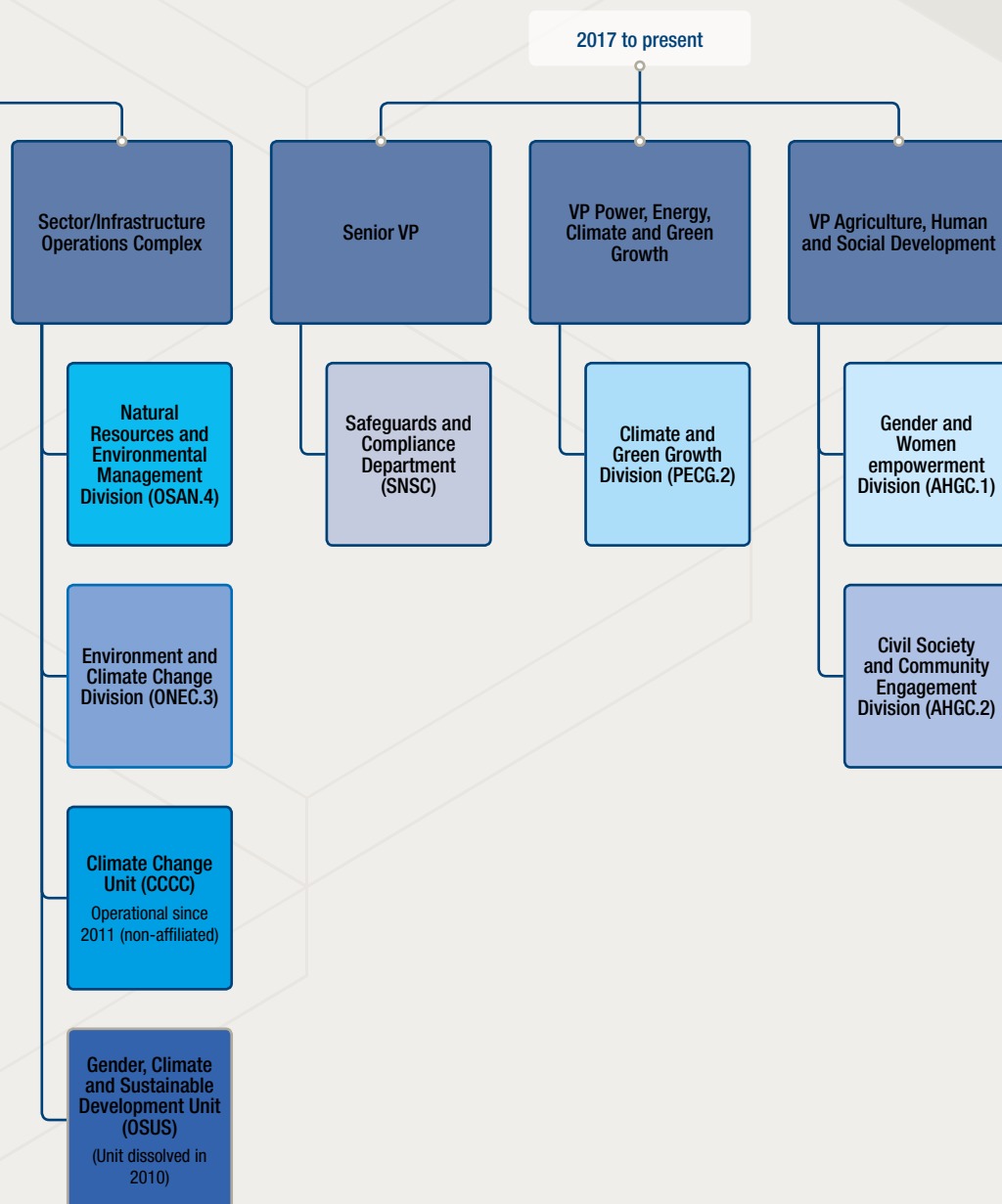


**Figure A1.3:** ISS Guidance Notes: Integrated E&S Impact Assessment

**Figure A1.4:** Evolution of the E&S organizational structure at the AfDB



Source: Update from previous IDEV (OPEV) evaluation about environmental mainstreaming in the transport sector (2013)



## Annex 2 — Evaluation Methodology

The evaluation process was highly participatory through the active participation of the members of the Evaluation Reference Group and continuous exchanges with key Bank stakeholders. This ensured the relevance of the evaluation approach and the usefulness of its findings and recommendations. The evaluation team promoted, as much as possible, the coordination with the ongoing Bank's internal reflection to review the ESAP. Simultaneously, the evaluation task manager preserved the independence and impartiality nature of the evaluation as per IDEV's mandate. All interviewees, both internal and external, were fully informed about the objective of the evaluation. All responses were anonymized and aggregated by type of respondent.

The evaluation criteria of relevance, (emerging) effectiveness and efficiency were prioritized due to the early state of the implementation of the ISS, which only became operational in July 2014. These criteria are suitable for a formative evaluative approach, combining accountability and learning purposes. Other evaluation criteria, such as those related to cross-cutting issues (gender equality, environmental sustainability and climate change) were integrated in the analysis through the three main evaluation criteria, since they are part of the objectives of the evaluand. The ISS includes specific objectives to protect the most vulnerable and to decrease gender and other sources of inequalities. It also aims at mainstreaming climate change adaptation and mitigation measures, and to protect the environment.

The sources of data and methodology used are summarized in Table 3 in the Introduction of this report. Table A2.1 develops the evaluation criteria and questions, and Figure A2.1 depicts the Theory of Change that guided this exercise. This Annex finishes with the details about the samples of projects that were desk-reviewed or visited during field missions. It also summarizes the typology of the 280 respondents that were interviewed during the evaluation process.

Table A2.1: Evaluation Matrix

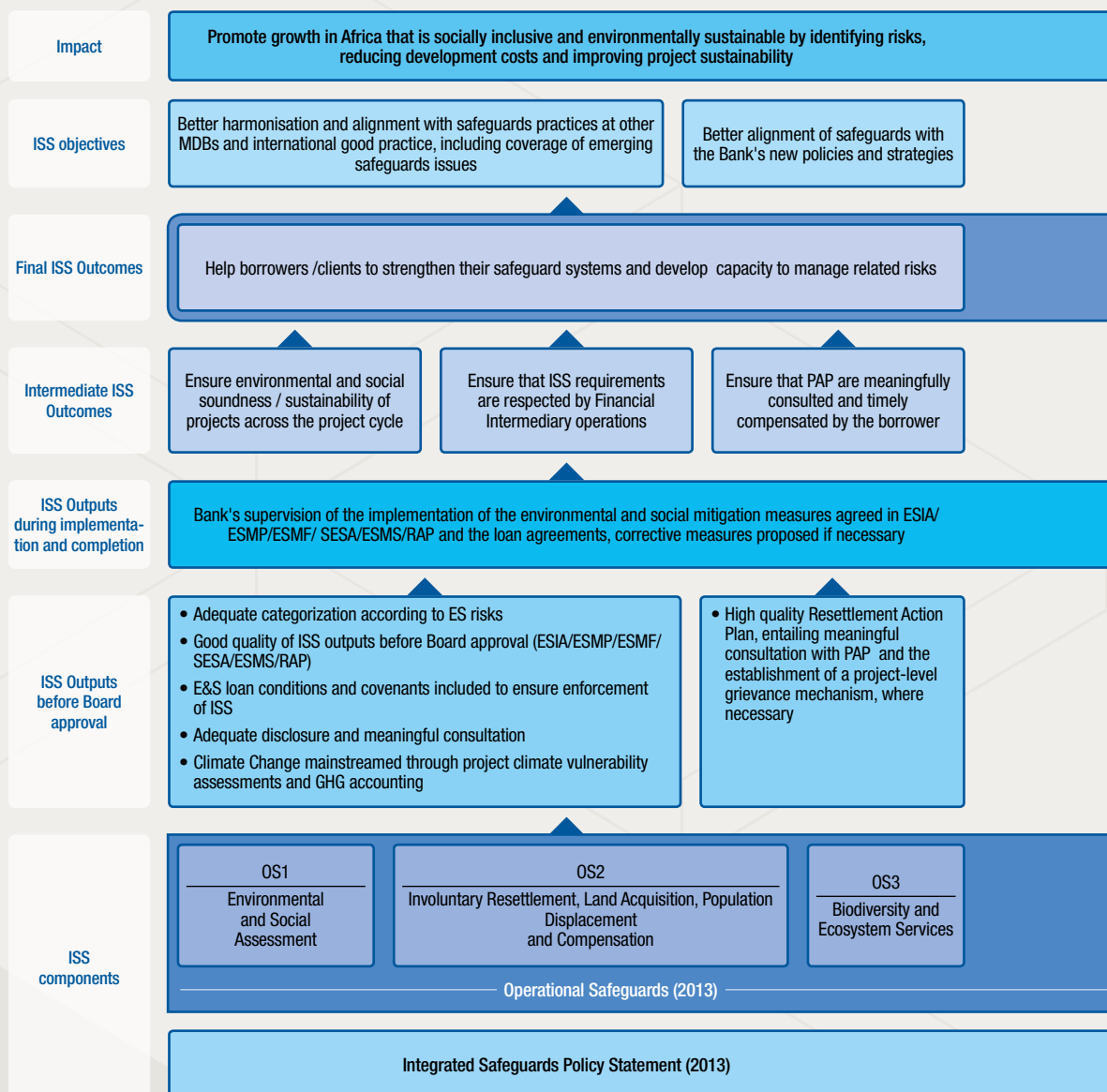
	Specific evaluation questions	Indicators / judgment criteria	Methodology
Relevance	<b>I. Is the Bank's ISS aligned with comparator organizations and identified best practice, and covering all relevant emerging safeguards issues?</b>		
	To what extent is the ISS aligned with other MDBs/ best practice?	Comparison of the safeguards systems' architecture and content.	1, 2, 5, 7
	How effectively does the ISS address emerging safeguards issues?	Coverage of (emerging) E&S safeguards issues in relation to comparator organizations; and level of depth of associated guidance.	1, 2, 3, 4, 5, 7
	<b>II. Is the Bank's ISS effectively supporting the Bank's strategic priorities and relevant to the current portfolio and the institutional changes?</b>		
	To what extent is the Bank's ISS relevant to the Bank's strategic goals (inclusive and green growth), the implementation of the High 5s and the recent institutional changes?	Level of alignment of the ISS with the goals of the Bank's Ten-Year Strategy, the High 5s and ongoing Development and Business Delivery Model reforms, and analysis of implications of institutional reforms on the E&S safeguards function, comparison with other organizations.	1, 5, 7
	To what extent is the Bank Group ISS relevant to the current types of lending operations, including project finance, program-based lending operations (PBOs) and financial intermediaries (FI)?	Analysis of the ISS content in relation to new lending instruments, its application, and comparison with the practice in similar organizations.	1, 3, 4, 5, 7
	How well are the climate change requirements included in the ISS integrated in the ESAP?	Analysis of the ISS commitments to mainstream climate change and their articulation with the ISS components.	1, 3, 7
	<b>III. What is the overall compliance of Bank-Group operations with the ISS across the project cycle? To what extent are the Bank's quality assurance processes contributing to ensure compliance with the ISS objectives?</b>		
	To what extent are the E&S requirements during project identification and preparation systematically adequately applied and documented?	Analysis of available documentation (memos, according to ESAP) to conduct compliance verification.	1, 3, 5, 7
	How adequate is the Bank's E&S categorization process?	Number and proportion of miscategorized projects, projects approved with ISS-related waivers, inconsistent categorization, and others.	1, 3, 4, 5, 7
Emerging Effectiveness	What is the overall quality of the E&S outputs validated by the Bank prior to Board approval?	Presence of systemic omissions concerning identification of E&S risks when compared with best practice, and overall quality of the Bank's validated E&S project-assessments in relation to experts' opinions.	1, 3, 5, 7
	What are the types of E&S loan conditions and covenants included in the loan agreements and how is their enforcement documented?	Qualitative analysis of E&S loan conditions and reporting/ follow-up in the Bank's supervision reports.	3, 5, 7
	To what extent is the Bank in compliance with the ISS disclosure requirements and this information is effectively used, as intended? To what extent does the Bank ensure that borrowers/clients undertake meaningful consultation?	Assessment of timeliness of the disclosure of E&S assessments according to the E&S risk of the operation; utilization of disclosed information; and documentation of borrower/client activities to ensure meaningful consultation at the local level.	1, 3, 5, 6, 7
	What has been the level of operationalization of the ISS commitment to mainstream climate change?	Analysis of the practice to mainstream climate change (screening and GHG accounting).	1, 3, 7
	To what extent is the Bank's supervision documentation able to capture the level of implementation of the E&S mitigation measures agreed at approval?	Proportion of project supervision reports with E&S information (aide memoires/BTORs); analysis of the candor of E&S ratings in IPRs/PSRs; and analysis of value added of safeguards compliance reviews/E&S audits.	1, 3, 4, 5, 7



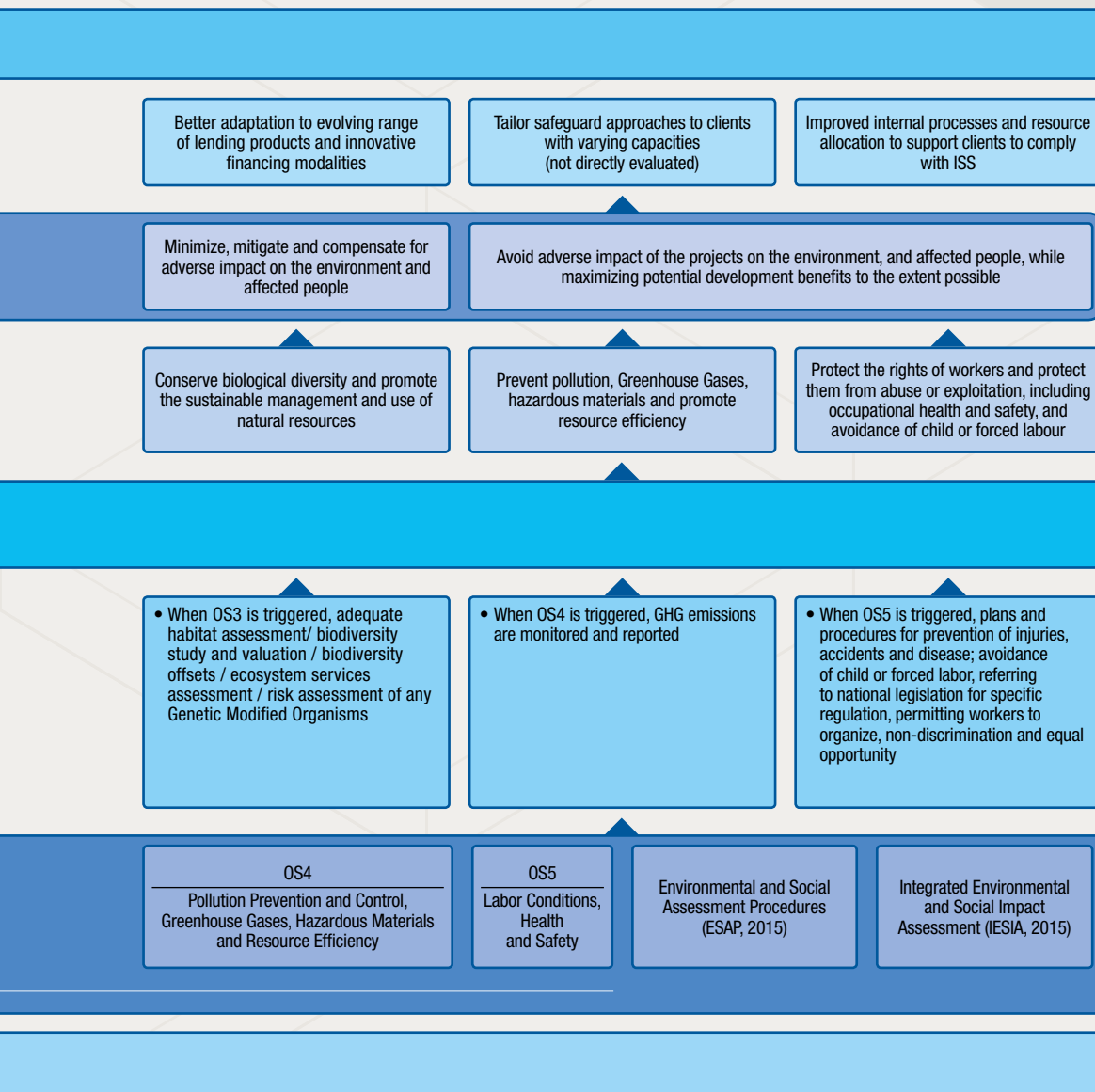
	Specific evaluation questions	Indicators / judgment criteria	Methodology
Emerging Effectiveness	<b>IV. What is the performance of Bank-Group operations in relation to Operational Safeguards 2 (involuntary resettlement)?</b>		
	To what extent are the Bank's operations in compliance with the OS 2 requirements)? What is the performance of the operations that triggered OS 2 since July 2014?	Overall quality of the RAPs validated by the Bank's specialists; number of projects where meaningful consultation has been achieved, including specific actions to reach the most vulnerable; the proportion of project supervision reports/aide memoires/BTORs with resettlement/compensation information; and analysis of the candor of IPR ratings related to OS 2.	1, 2, 3, 4, 7
	<b>V. What is the E&amp;S performance of the financial lending (Category 4 operations) supported by the Bank Group?</b>		
	How effectively is the ISS being implemented for FIs (Category 4) throughout the project cycle? What is the performance of the FI operations approved since July 2014?	Quality of ESMSs of FIs and other ISS requirements applicable; analysis of E&S loan conditions and follow-up in supervision reports; the number of FIs that implemented their ESMSs successfully; E&S performance of the FIs and sub-projects; and analysis of Bank activities to improve E&S capacities in the FI sector..	1, 2, 3, 4, 7
	<b>VI. How successful have the Bank's efforts been in strengthening borrowers' safeguards systems and developing their capacity to manage E&amp;S risks?</b>		
	What have been the main activities and results achieved to strengthen country or borrowers' safeguards systems?	Analysis of the Bank's activities to improve E&S capacities (studies conducted, technical assistance, training, others).	1, 4, 5, 6, 7
Efficiency	<b>VII. What are the factors that facilitate or constrain the implementation of the ISS as designed, specifically, resources (human and financial), processes, guidance and tools, institutional incentives, and capacity (skills) of all actors involved?</b>		
	How adequate has the allocation of resources and staffing (and their skills) for E&S safeguards work been in relation to the size and complexity of the portfolio? And how does it compare with similar organizations?	AfDB ratio of safeguards staff to number of projects vs. comparators, number of lead specialists; AfDB budget for safeguards implementation; ratio of E&S specialists (environment, social) vs. comparators; and the allocation of staff time spent on project preparation vs. supervision; articulation and synergies with other Bank teams (gender, climate change).	1, 2, 5, 7
	To what extent has the Bank developed systems to archive ISS-compliant documents and disseminate lessons learned emerging from the application of the ISS?	Analysis of progress of the application of the Integrated Safeguards Tracking System; the Climate Change tracking system; and the accessibility of key documents to conduct ISS compliance verification.	1, 2, 5, 7
	Are appropriate systems and tools available to ensure the quality control of E&S outputs and to conduct periodic quality reviews?	Analysis of the internal peer review system among the Bank's E&S specialists; quality of the safeguards compliance reviews (E&S audits); and follow-up of E&S recommendations emerging from project supervision missions.	5, 7
	Is there a common understanding of the objectives, responsibilities and processes of the ISS by all Bank staff?	Evidence of clearly defined process and accountabilities/incentive system.	1, 4, 5, 7
	To what extent is there sufficient training and technical support to the Bank's operations staff and key external stakeholders to ensure efficient ISS implementation?	Quantity of training and assistance on E&S provided to the Bank's operations staff; and level of knowledge and use of ISS-related information by external stakeholders (clients/borrowers/CSOs).	5, 6, 7
	How adequate are the available guidelines in ensuring systematic application of the requirements of the ISS?	Analysis of the content of the available guidance; and internal coherence among different ISS components and with the Bank's Operations Manual.	1, 5, 7

\* 1. Review of AfDB documents; 2. Review of other MDBs' documents; 3. Desk review of projects; 4. Project field visits; 5. E-questionnaire/focus group discussions; 6. CSO e-survey; 7. Interviews.



**Figure A2.1:** Reconstructed Theory of Change of the AfDB's Integrated Safeguards System**Assumptions**

- Borrower's commitment to project sustainability, environmental protection and fair and timely compensation of PAPs.
- Sufficient resources (time, money, staff, training and support) to implement the ISS due diligence and assist borrowers to comply with the requirements.
- Conducive implementation context, including national environmental legislation, land management and compensation, labor legislation, among others.
- Sufficient Bank's management ownership of the Integrated Safeguards System.
- Clear guidance and standards for applying the ISS across the project cycle, both from ESAP and the Bank's Operations Manual.
- Appropriate verification and enforcement mechanisms in place.
- Adequate staff incentives to apply the ISS (and the ESAP) guidance systematically.



## Details of the 190 Bank-supported operations reviewed

### *The non-random sample of 89 projects*

This sample was built on the intersection of the samples of the [Evaluation of the Quality at Entry of AfDB Group Operations \(2013-17\)](#) and the [Evaluation of the Quality of Supervision and Exit of AfDB Group Operations \(2012-17\)](#), which informed the [Evaluation of Quality Assurance Across the Project Cycle](#). The sample is composed of 49 projects approved after the entry into force of the ISS (20 Category 1, 23 Category 2 and six Category 4) and 40 projects approved before the ISS (16 Category 1, 22 Category 2 and two Category 4). See Figures A2.2 and A2.3.

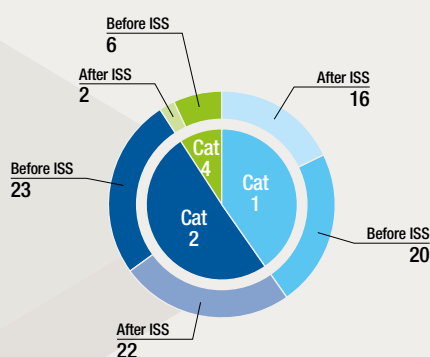
### *The 36 projects that triggered OS 2 between July 2014 and December 2017*

They were identified through an analysis of the documentation available on the [AfDB disclosure website](#). The projects with RAP summaries available on this website were selected and filtered by the date of disclosure (July 2014 to December 2017). A total of 50 projects that triggered OS 2 were identified, but 14 of them were removed because they were either not yet signed or were cancelled. The universe of operations is composed by 34 Category 1 and two Category 2 operations; 33 public and three private sector operations. Most (67 percent) are transport projects and 19 percent are energy projects, the rest being shared between agriculture, water & sanitation, and communication. One-third of the 36 projects are concentrated in West Africa and 22.2 percent are multinational, while the rest are distributed across the other Bank regions.

### *The 56 operations that were categorized as Category 4 and approved between July 2014 and December 2018*

An initial list of 91 FI projects approved during this period was identified. The final number to be evaluated was 58 FI Category 4 projects, with a total of UA 2,743 million in investment, after excluding 33 projects due to pipeline attrition. Two FI operations were omitted in the analysis as they were separate investments in the same FI with the same E&S requirements. The 56 Category 4 projects include 12 high-risk FI-A projects. The majority of the operations evaluated were Lines of Credit (LOCs) (24 operations) and equity (21 operations). The rest are (corporate) loans and partial guarantees.

**Figure A2.2:** E&S category of projects



**Figure A2.3:** Projects by region (before/after ISS)

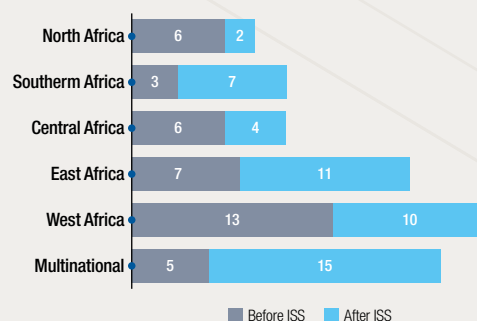




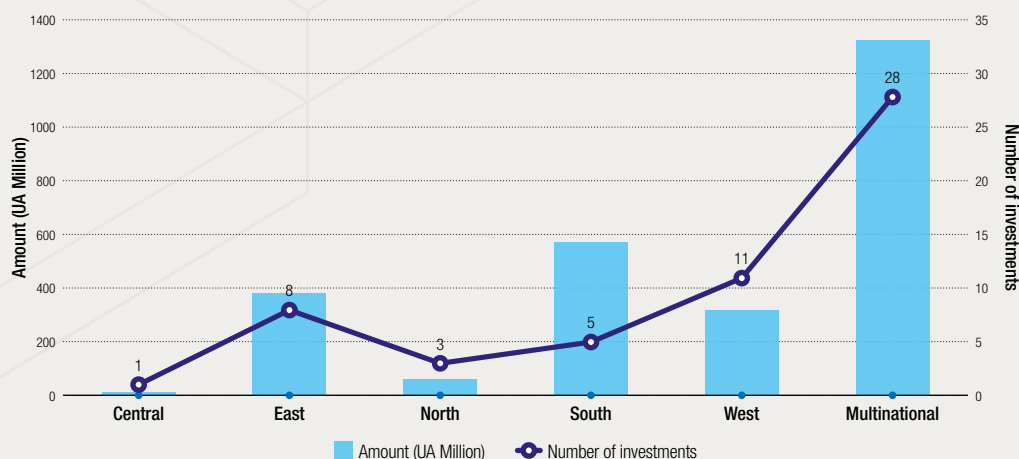
Figure A2.4 shows the geographic distribution of these operations. Seven out of the 11 West Africa Region projects were concentrated in Nigeria (for a total of 59 percent of the value of Category 4 operations in West Africa). Four out of the eight East Africa projects were operations based in Kenya (72 percent of the amount allocated to the region). This justifies the choice of Nigeria and Kenya as cases studies for this evaluation, including field visits.

As concerns the sector distribution, the financial sector receives the lion's share, with a high concentration of multinational investments. The two most significant financial sector investments are two lines of credit. The agricultural sector ranks second, thanks to two major multinational investments in an East African agricultural aggregator (trading company). The remaining operations are distributed among: transport (4 percent), multi-sector (3 percent), industry and mining (1 percent), social (1 percent), power (1 percent) and communication (1 percent).

### *Nine operations that have been screened for climate vulnerability and GHG accounting*

The documents stored in the Bank's Climate Safeguards System intranet could not be used to extract a random sample because the stored drafts were incomplete. According to interviews, this is explained by the fact that the CSS was used for a number of years as a repository and exchange platform among Task Managers and climate change specialists of the Bank. Bank climate change experts started centralizing the climate screening in mid-2017. Therefore, this date was considered when choosing a sample of climate screening processes to analyze for this evaluation, which covers all regions and various sectors (agriculture, transport, water and energy). Finally, nine projects were analyzed to see how climate change aspects were considered during project preparation.

**Figure A2.4:** Geographical distribution of Category 4 projects approved between July 2014 and December 2018 and ongoing as at February 2019



## Details of field visits conducted

### *Field visits conducted to four purposefully-chosen operations in three countries*

For the IDEV Quality Assurance Evaluation, the team conducted visits in five countries (Senegal, Morocco, Cameroon, Kenya and Zimbabwe) from March to May 2018. These countries were purposefully chosen to ensure balance across the Bank's regions, representation of Anglophone and Francophone countries, and states facing fragility. The team analyzed 24 ongoing operations and conducted field visits to 12 of them. The project teams of 11 large infrastructure projects that triggered OS 2 were interviewed. In addition, four operations were chosen to explore key E&S safeguards features, including site visits in three cases (Table A2.2). In addition to document review, the team interviewed Task Managers, representatives of project executing agencies, National Environmental Management Authorities, development partners and some clients. The objective of these case studies was to conduct an in-depth review of how the management of E&S risks contributes to project implementation, as well as how the Bank's quality frameworks interact with contextual factors, including country and borrowers' capacity.

### *Financial intermediary operations and sub-projects visited in Kenya and Nigeria*

Nigeria and Kenya were chosen for field visits because they had the highest concentrations of the various types of AfDB investments in the FI sector over the course of the evaluation period, including LOCs, equity, trade finance facilities to MSMEs and microfinance institutions. The fieldwork included visits to AfDB local offices, regulatory authorities, central banks, ministries of the environment, banking organizations, FI headquarters and sub-borrowers' premises.

The visits to FIs started at the FI's premises with a one- to two-hour introduction of the evaluation objectives, presentation of the FI's ESMS (responsible persons, organization, and sub-projects' appraisal & monitoring procedures) and key E&S monitoring documentation, and continued with site visits to sub-projects. The walk-through site visits accompanied by the FI staff at the sub-project companies served to obtain a snapshot of E&S performance. They focused on compliance with ISS requirements, monitoring and permit documentation, mitigation and control of pollution, health & safety issues, fire safety and other relevant E&S aspects. After the visits to the sub-projects, a wrap-up discussion on key findings and conclusions was held. The generic characteristics of these operations and the sub-projects visited are summarized below.

**Table A2.2:** Characteristics of the projects visited and E&S safeguards aspects explored

E&S and other project characteristics	E&S safeguards aspect explored
<ul style="list-style-type: none"> <li>Hydroelectric project, Cameroon.</li> <li>Category 1 public sector project with co-financing from other donors.</li> </ul>	<ul style="list-style-type: none"> <li>Compensation and resettlement of population.</li> <li>Associated facilities and challenges for borrowers to use the safeguards systems of various partners.</li> </ul>
<ul style="list-style-type: none"> <li>Multinational drought resilience project, component in Kenya.</li> <li>Category 2 public sector project with various sub-projects scattered in various counties.</li> </ul>	<ul style="list-style-type: none"> <li>Operationalization of Strategic Environmental and Social Assessment (SESA) through individual ESIA for sub-projects.</li> </ul>
<ul style="list-style-type: none"> <li>Thermal power plant, Senegal.</li> <li>Category 1 private sector project.</li> </ul>	<ul style="list-style-type: none"> <li>Complaint processed by IRM relating to PAP compensation.</li> </ul>
<ul style="list-style-type: none"> <li>Line of credit operation to a commercial bank, Kenya.</li> <li>Category 4, various loans received by the same FI.</li> </ul>	<ul style="list-style-type: none"> <li>Operationalization of Environmental and Social Management System (ESMS).</li> </ul>

**Table A2.3.** FIs and sub-projects visited in Kenya and Nigeria

Financial Intermediary	E&S Category		Sub-projects
	ISS Category	Sub-projects	
1 Fund in Kenya	FI-B	2 2	1 Food processing company 2 Mattress manufacturing company
2 Bank in Kenya	Cat 4	2 2 1	3 LPG bottle manufacturing and filling company 4 Company manufacturing advertising frames 5 Jet fuel depot
3 Fund in Nigeria	FI-B	2	6 Rice farm & processing plant under construction
4 MSME Bank in Nigeria	FI-C	3 3	7 Microfinance company collecting plastic bottles 8 Microfinance/SME water bottling company
5 Bank in Nigeria	FI-A	1	9 Large chemical plant under construction
6 MSME Bank in Nigeria	FI-C	2	10 Cable manufacturing company
7 Development Bank in Nigeria <sup>73</sup>	FI-B	2	11 Private hospital
8 Corporate loan and Soft Commodity Finance Facility in Kenya	FI-B	0	No sub-projects near Nairobi to visit

The field missions identified two cases where the FI (development bank or an equity fund) on-lent to another commercial bank. In these instances, it is important to reinforce the E&S reporting, and this may require extra support from the AfDB's ESS specialists to ensure the chain of communication about the requirements is respected.

## Detail of key informants for the evaluation

All interviewees were informed about the objectives of the evaluation and the use of their responses. This information was included in the contact e-mail and was systematically mentioned in the introduction of the interview. Anonymity has been guaranteed for all respondents. Special care was given to protect the confidentiality of private companies and commercial banks receiving FI operations from the Bank.

**Table A2.4:** Categories and numbers of key informants for the evaluation

Governmental and national entities	#	Financial Intermediaries and other project staff	#	Staff of projects field-visited	#	Other MDBs and bilateral agencies	#	AfDB staff	#
Central bank and bankers' association	9	Category 4 projects (FIs) in Nigeria	30	Sub-projects in Nigeria	17	Bilateral partners and others	6	Safeguard and Compliance Department	22
Ministries of environment	13	Category 4 projects (FIs) in Kenya	10	Sub-projects in Kenya	17	MDBs	43	Non-Sovereign Operations Departments	21
Other ministries	10	Category 1 and 2 projects (Senegal, Morocco, Kenya, Cameroon, Zimbabwe)	22	Cameroon, Senegal, Kenya	9			Sector and Regional Staff	22
								Corporate Departments	18
								Senior Management	10
								Board (Executive Directors and Advisors)	10
Total	32	Total	62	Total	43	Total	40	Total	103
Overall Total: 280									

## Annex 3 — E&S Performance of the FI Operations Supported by the Bank

The E&S requirements for Category 4 operations vary depending on the sub-category. All FIs are requested to: (i) develop and disclose an ESMS with specific requirements; (ii) comply with the host country's Environmental, Social, Health and Safety (ESHS) laws and regulations and the Negative List (goods that are "harmful to the environment"); and (iii) submit (Annual) Environmental Performance Reports (AEPRs) to the Bank. In addition, FI clients have to notify the responsible sector department in the Bank if a sub-project is deemed to be Category 1, and this information is passed on to the relevant Compliance and Safeguards function.<sup>74</sup> The FI-A clients should report to the Bank on a regular (quarterly) basis indicating how sub-projects have been categorized and providing details of E&S assessment agreed with clients for those sub-projects deemed to be equivalent to Category 1 or 2. Reporting should also include monitoring of the client's implementation of the ESMPs and Resettlement Action Plan of sub-projects.<sup>75</sup>

The evaluation conducted a portfolio review of all Category 4 operations approved after the ISS became effective (July 2014) until December 2018 (56 operations), distributed as shown in Table A3.1.

A Rapid Assessment Tool based on the ISS requirements for Category 4 operations was developed to assess: (i) FIs' ESMSs and their implementation (ii) the quality of AfDB's E&S work at appraisal and supervision; and (iii) FIs' corporate responsiveness and sustainability agenda.<sup>76</sup> The desk review of the 56 operations

**Table A3.1:** Distribution of the 56 projects evaluated per E&S Category and investment type

Data collection and analysis method / Investment type by E&S risk	E&S CATEGORY					
	4	4A	4B	4C	Total	Total %
<b>Deep Dive - Site Visit</b>	3	1	3	1	8	14%
Line of Credit (1)	2	1		1	4	7%
Equity (2)	1		2		3	5%
Loan (4)			1		1	2%
<b>Rapid Assessment - Desk Study</b>	<b>10</b>	<b>11</b>	<b>19</b>	<b>8</b>	<b>48</b>	<b>86%</b>
Line of Credit	4	5	10	1	20	36%
Equity (2)	6	5	4	3	18	32%
Loan (4)		1	4	1	6	11%
Guarantee (3)			1	3	4	7%
<b>TOTAL</b>	<b>13</b>	<b>12</b>	<b>22</b>	<b>9</b>	<b>56</b>	<b>100%</b>
<b>Total %</b>	<b>23%</b>	<b>21%</b>	<b>39%</b>	<b>16%</b>	<b>100%</b>	

Source: Portfolio analysis conducted by the evaluation team.

(1) **LOCs** include direct LOCs and trade finance LOCs.

(2) **Equity** includes equity investment, equity participation and additional equity participation.

(3) **Guarantees** include partial risk guarantees and risk participations.

(4) **Loans** include loans, senior loans, corporate loans and Soft Commodity Finance Facility.

was constrained by the absence of a number of key E&S documents.<sup>77</sup> The analysis was supplemented with interviews and field visits to eight FIs and 11 of their sub-projects. IDEV used a deep-dive assessment template to evaluate the sub-projects, with a detailed analysis of performance under each sub-indicator. Finally, a comparator analysis was conducted on the IFC Performance Standards and their application to the FI sector.

In general, the evaluation considers that the AfDB's E&S Safeguards Framework is adequate and aligned with international best practice. However, some inconsistencies were identified, and relevant guidance and practice from the IFC is highlighted in the following sections.

## Definition of FIs and coverage of E&S risk management

At the AfDB, Category 4 projects involve Bank lending to FIs that on-lend or invest in sub-projects that may produce adverse E&S impact. FIs include banks, insurance, reinsurance and leasing companies, microfinance providers, private equity funds and investment funds that use the Bank's funds to lend or provide equity finance to their clients. FIs also include private or public sector companies that receive corporate loans or loans for investment plans from the Bank that are used to finance a set of sub-projects.

At the IFC, an FI is defined by intermediation and delegated decision-making (the FI selects the sub-projects). The IFC does not categorize corporate loans under the Financial Intermediaries Category. Instead, the IFC categorizes these operations as Category A, B or C and requires those clients to adopt and implement an ESMS to manage the investment risks that are not fully discernible at appraisal.

For instance, in cases where funds provided by the IFC are targeted to a specified end use (e.g., a credit line for a specific asset pool, the "asset class"), the requirements for E&S risk management will cover only the specified asset class. If IFC funds are only used to finance a certain asset class as, for example, in SME lending, the E&S risk management requirements will be applied only to that asset class, and not to the FI's other activities outside of that asset class. However, if the FI supports the same asset class as that supported by IFC funds from its own account, the E&S risk management approach will apply to the entire asset class as originated from the time of IFC support.

The AfDB's ISS does not have detailed ISS requirements on coverage of E&S risk management. Instead, in practice, the AfDB often defines E&S and reporting requirements based on the targeted use of AfDB funds. For example, if the FI client has a diverse portfolio of large corporate loans, mortgage loans and SMEs and the AfDB's funds are targeted to SMEs or mortgages only, AfDB's loan covenants may restrict the use of proceeds for Category 2 and Category 3 SME or mortgage loans only. In cases where the AfDB's proceeds are not earmarked for a specific end use, the E&S and reporting requirements in the loan covenants usually apply to the entire portfolio. The FI-A and FI-B projects should report to the Bank indicating how sub-projects have been categorized and provide information on sub-projects' ESMP implementation. However, the discussions and site visits to the FIs revealed that in several cases the FIs were not able to attribute the AfDB funding to specific sub-projects and the FI management was unaware of the AfDB's E&S and reporting requirements.



## E&S Categorization of FIs

Both at the AfDB and the IFC, FI operations are further classified as FI-A, FI-B, and FI-C to reflect the potential E&S impact and risks of the FI's existing or proposed portfolio of sub-projects, based on the type, scale and sector exposure. The main purpose of this sub-categorization is to determine the scope and function of the financial ESMS and the degree to which the client will be required to monitor and report on the E&S risks of its portfolio.

## General Requirements for Managing FI E&S Risks

According to the ISS-related documents, each Category 4 financial intermediary is required to:<sup>78</sup>

- Have adequate corporate E&S governance policies, apply the Bank's OSs to its Category 1 and Category 2 equivalent sub-projects, and comply with local E&S requirements;
- Develop and maintain an ESMS in line with the Bank's OSs that is appropriate for the scale and nature of its operations, recognizing that the operations of FIs vary considerably and in some cases may pose minimal E&S risk (particularly those of reinsurance companies, which may only need to develop a corporate E&S policy);
- Demonstrate that it has the management commitment, organizational capacity, resources and expertise to implement its ESMS for its sub-projects; and
- Develop and disclose a summary of the ESMS to the public on its website and make use of the Bank's Negative List (as defined in the ISS), which includes goods that are harmful to the environment, when soliciting a loan or a grant and before the loan can be approved.<sup>79</sup>

The Bank carries out due diligence on the ESMS and the FI's organizational capacity before approving the transaction. The FI ensures that the sub-projects that require ESIAs undergo the same information disclosure process as other private sector Category 1 projects funded by the Bank. FI-As are required to notify the responsible sector department in the Bank if a sub-project is deemed to be Category 1, and this information is passed on to the relevant Compliance and Safeguards function of the Bank.<sup>80</sup>

The review of ISS-related documents found some inconsistencies. The ISS Policy Statement of 2013 (page 25) requires compliance with local E&S requirements for all Category 4 projects, but in the General Guidance on Implementation of OS 1: ESMSs for FIs of 2015 (page 38), compliance is required only for FI-C projects. Similarly, the ISS (Policy Statement and OSs) requires the FI to notify the responsible sector department in the Bank if a sub-project is deemed to be Category 1, but this requirement is not included in the General Guidance on Implementation of OS 1: ESMSs for FIs.

**Table A3.2:** Elements of an effective ESMS at the AfDB

<b>Background.</b> A description of the FI's proposed portfolio, risk management framework, transaction approval processes, implementation arrangements, and reporting and performance review requirements.
<b>Corporate Environmental and Social Policy.</b> The FI's policy should state its commitment to managing environmental and social risks to which it might be exposed to as a result of transactions and clients in its portfolio, and to respecting local laws and regulations.
<b>Screening Procedure.</b> The FI should screen all transactions to determine if it will proceed with a given transaction. It should apply the Bank's Exclusion List and categorize transactions according to the level of environmental and social risk to determine the equivalence with the Bank's OS 1 Categories and to define the scope of the environmental and social assessment that will be necessary.
<b>Environmental and Social Risk Assessment Procedures.</b> The FI should adopt procedures to conduct environmental and social assessment to meet the Bank's OSs. For medium-risk transactions, the FI should initiate a limited environmental and social assessment, including an overview of the client's operations, which may require a site visit, to identify potential environmental and social impact and to satisfy itself that the client complies with all applicable regulatory requirements. For high-risk transactions, such as substantial project finance, a full environmental and social assessment will be necessary to fully understand potential environmental and social impact associated with the client's operations. Typically, the FI should retain the services of consultants.
<b>Decision-making, Institutional Responsibilities and Organizational Capacity.</b> The ESMS should set out how decisions are made on environmental and social risk categorization, and in determining environmental and social management measures, including resulting loan agreement covenants. The respective roles and required competencies of senior management, loan officers, risk analysts and ESMS staff members should be clarified and weaknesses in capacity noted.
<b>Tools.</b> The ESMS should include guidance notes and other relevant tools for effective implementation of the ESMS, including guidance on risk categorization, environmental and social assessment methods, industry sector guidance, ESMPs and monitoring.
<b>Monitoring and Reporting.</b> The ESMS should provide clear requirements for monitoring and reporting on sub-projects to ensure that the management measures are satisfactorily implemented and that the agreed targets for environmental and social protection are achieved.
<b>Implementation Plan.</b> The FI should develop an implementation plan with a time schedule for completing each task and identification of designated responsible staff. It should also include a periodic review of the ESMS to ensure continuous improvement. Where needed, the ESMS should include capacity strengthening or training deemed appropriate for the FI.

## Main differences between the AfDB's ISS and IFC performance standards

**E&S reporting requirements for FIs and use of templates.** The AfDB requests quarterly E&S reporting for FI-A projects and annual reporting for FI-B projects, but the IFC requires only annual reports (AEPRs). The FIs should report to the AfDB on the results of screening, categorization, application of ESA procedures and ESMP measures agreed with clients, while the IFC requires reporting on the portfolio breakdown by industry sectors and product lines, higher-risk transactions and sample Environmental and Social Due Diligence reports; cases of non-compliance and significant E&S accidents or incidents related to a transaction; and where relevant, the FI clients' exposures to high-risk activities. The most significant difference between the AfDB and the IFC in formal reporting procedures is that the IFC's report templates are tailored by sector, E&S category and FI type (leasing, commercial bank, fund, microfinance institution, etc.), whereas the AfDB has not yet developed such a reporting system.

**Review of FIs' AEPRs and the role of E&S specialists.** Both the AfDB and the IFC are requested to review the E&S reports produced by the FI, but only the IFC requires its E&S specialists to complete a formalized AEPR Review Report with an E&S risk rating and to submit the report to the FI through the portfolio officers. The results of this evaluation of the quality of the AfDB's supervision work shows that the AfDB has not established an adequate system to review the AEPRs, give feedback to the FIs, and record the AEPRs and their reviews.

**E&S record-keeping.** The IFC has developed an online E&S Review Performance Document and file manager for all E&S documents and communication. There is no standard practice for E&S record-keeping at the

AfDB, since the ISTS included in the ISS is not yet functional. Similarly, the private sector databases did not systematically archive key E&S documents to allow the verification of ISS compliance.

**Reasons to trigger E&S field visits to FIs.** Among the ISS requirements, AfDB staff should review the quarterly (E&S) implementation or progress reports (produced by the FIs) and engage in supervision missions to assess and report on ESMP implementation. The IFC's requirements for visiting the FIs are based on the "knowledge gap" (lack of AEPRs and other supervision information), the E&S category and the E&S risk rating that is assigned annually to the FI.

**Investment restrictions for low E&S performers.** The IFC does not accept new investments in existing clients with less-than-satisfactory E&S performance. This is not defined in the ISS.

## Overall E&S safeguards performance of FIs

Table A3.3 summarizes the performance of the 56 Category 4 projects approved by the AfDB from July 2014 to December 2018, considering the requirements for these operations contained in the ISS. The analysis is divided into the quality of the FI's ESMS and its actual implementation and the E&S performance of the sub-projects funded by the FI.

**Safeguards success rate** is calculated by dividing the successful ratings (highly satisfactory [HS] and satisfactory [S]) with all qualitative ratings (HS, S, unsatisfactory [U], and highly unsatisfactory [HU]). The margin and error, minimum and maximum are also shown in the table below.

**No opinion possible (NOP)** are those cases where the evaluation did not find sufficient information to assess "Overall Safeguards Performance" that summarizes the quality of ESMS and its implementation.

**Not applicable (NA)** captures those operations where the evaluation considered they were correctly classified to Category FI-C (no adverse impact) and the categorization has remained valid over the life of the project when analyzing the portfolio of sub-projects.

**Non-evaluable (NE)** are operations approved recently which are not yet obligated to report on E&S performance in their legal agreements.

Table A3.3: Ratings for the 56 E&amp;S Category 4 (FI) projects evaluated

INDICATOR	HS	S	U	HU	NOP	NA	NE	Total	NOP rate	SFG success rate	Margin of Error	Min	Max
<b>SUMMARY OF SAFEGUARD PERFORMANCE</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>26</b>	<b>5</b>	<b>13</b>	<b>56</b>	<b>68%</b>	<b>50%</b>	<b>24%</b>	<b>26%</b>	<b>74%</b>
<b>1. ESMS: Safeguard policies and procedures, resources and capacity</b>	<b>3</b>	<b>33</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>1</b>	<b>3</b>	<b>56</b>	<b>27%</b>	<b>95%</b>	<b>4%</b>	<b>91%</b>	<b>98%</b>
1.1. E&S Policies and management commitment	3	39	0	1	12	1	0	56	22%	98%	2%	96%	100%
1.2. Screening, categorization and assessment procedure in the ESMS	4	32	1	1	15	1	0	56	28%	95%	4%	91%	99%
1.3. Organizational capacity and staffing of the FI to implement the ESMS	3	35	1	1	15	1	0	56	27%	95%	4%	91%	99%
1.4. Resources	0	9	1	1	41	1	3	56	79%	82%	20%	61%	100%
1.5. Expertise and competence of the safeguard staff	2	9	1	1	39	1	3	56	75%	85%	17%	67%	100%
1.6. Monitoring and reporting+B26 systems	2	33	4	1	15	1	0	56	27%	88%	5%	82%	93%
<b>2. Actual ESMS Implementation and Sub-projects' Performance</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>26</b>	<b>5</b>	<b>15</b>	<b>56</b>	<b>72%</b>	<b>50%</b>	<b>27%</b>	<b>23%</b>	<b>77%</b>
2.1. Categorization of subprojects	0	10	3	0	24	4	15	56	65%	77%	19%	58%	96%
2.2. Disclosure of ESMS and cat 1 subprojects ESIA, ESMP and RAP before approval	0	7	3	0	24	7	15	56	71%	70%	24%	46%	94%
2.3. Compliance with the Negative List	0	14	0	0	25	2	15	56	64%	100%	0%	100%	100%
2.4. Compliance with Host-country E&S laws	0	5	0	0	33	3	15	56	87%	100%	0%	100%	100%
2.5. Subprojects' compliance with AfDB Safeguards Requirements(cat 1 and 2)	0	4	1	0	29	7	15	56	85%	80%	33%	47%	100%
2.6. Annual Environmental Performance Reports (AEPRs)	0	1	35	2	0	3	15	56	0%	3%	0%	3%	3%
<b>3. Assessment of FI's corporate responsiveness and sustainability agenda</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>2</b>	<b>18</b>	<b>49</b>					

Table A3.4 presents the quantitative findings of the quality of the AfDB's E&S work for the 56 FI operations: (i) at appraisal; and (ii) at implementation. The table uses the same ratings as the previous table.

**The inclusion of certain operations, such as corporate loans and guarantees, as Category 4 poses challenges to clients to comply with the AfDB's E&S requirements, as defined in the ISS and ESAP (dimension 1.1 in Table A3.4).** The evaluation identified three cases where the ISS requirements for Category 4 operations did not match with the nature of the projects and the coverage of required E&S risk management.<sup>81</sup>

**Table A3.4:** Quality of the Bank's E&S work across the project cycle

INDICATOR	HS	S	U	HU	NOP	NA	NE	Total	NOP rate	SFG success rate	Margin of Error	Min	Max
<b>1. Quality of Safeguards Work at Appraisal</b>	<b>0</b>	<b>31</b>	<b>22</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>5%</b>	<b>58%</b>	<b>3%</b>	<b>55%</b>	<b>62%</b>
1.1. Categorization of the project (B5ESAP, 2015)	0	37	14	2	3	0	0	56	5%	70%	3%	67%	73%
1.2. AfDB Due Diligence of the ESMS and the FI's organizational capacity (ISS Annex 1 and 19)	0	21	6	1	27	1	0	56	49%	75%	11%	64%	86%
1.3. AfDB support to FIs to set up appropriate ESMSs and build E&S management capacity	1	13	7	1	33	1	0	56	60%	64%	16%	48%	79%
1.4. Ensuring disclosure of ESMS	0	5	5	0	38	7	1	56	79%	50%	28%	22%	78%
1.5. Translation of Safeguard requirements to legal documents (financing agreement)	0	32	17	3	3	1	0	56	5%	62%	3%	58%	65%
<b>2. Quality of Safeguards Work at Supervision</b>	<b>0</b>	<b>2</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>15</b>	<b>56</b>	<b>0%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>	<b>5%</b>
2.1. Quality of AfDB's ES supervision reports and review of FI's reports, actions to enhance reporting	0	3	34	0	0	4	15	56	0%	8%	0%	8%	8%
2.2. Supervision of ESMS implementation	0	3	35	0	0	4	14	56	0%	8%	0%	8%	8%
2.3. Verification of high risk subprojects compliance with Safeguards	0	0	3	0	12	26	15	56	80%	77%	0%	8%	0%
2.4. Capacity building to FIs during supervision e.g. by missions and visiting subprojects	0	0	14	0	24	3	15	56	63%	70%	0%	0%	0%
2.5. Quality of ES content in the XSR	0	0	0	0	0	3	53	56	0%	100%			0%



Two corporate loans, one to an East African agricultural aggregator (trading company), which received a corporate loan in 2016 and a Trade Finance Program (soft commodity finance facility) the following year, and another to an airline company, were categorized FI-B instead of the more feasible Category 2. The AfDB's due diligence missed reviewing the trading company's ESMS that was clearly developed for a real sector project with references to ISO standards and the IFC performance standards, and not for an FI project. Consequently, translation of safeguard requirements to the AfDB's legal documents followed Category 4 requirements instead of Category 2 requirements. Coincidentally, the IFC had also invested in the trading company through a corporate loan and categorized the project correctly to Category B, instead of FI. The other Category FI-B corporate loan, which also entailed a partial risk guarantee, supported the airline company's expansion and modernization plan to upgrade its fleet by five new aircraft, construction and rehabilitation of hangar maintenance facilities. The airline company's ESMS was not structured as an ESMS for an FI and the company did not report on screening, categorization and assessment of "sub-projects". In both cases, the companies' ESMSs met the AfDB's requirements for a Category 2 project, but not for a Category 4 (FI-B) project.

The AfDB invested in a corporate loan in a university in Nigeria to support its investments in a teaching hospital, an industrial research park, a post-graduate school, hostels, a central library, and a small-scale hydro-power installation. Since the university did not have any ESMS before the AfDB's investment, it developed an ESMS based of the model of a FI-B, instead of a more feasible Category 2 project.

## Overall E&S performance of FI sub-projects

Three out of six sub-projects had **developed an ESMP as requested by the AfDB** (the others were low E&S risk and did not have this requirement). Only one-third of sub-projects **complied with the Bank's OSs** at the time of the evaluation, but the deficiencies were adequately addressed and followed up with the ESMPs. The sub-project companies were not part of the **Negative List of goods and activities**. All but one sub-project visited possessed valid operating licenses and complied with the host country's ESHS laws and regulations. The exception was a rice farm and processing plant sub-project in Nigeria, which had obtained the required permits and licenses for the construction of the facility, but there were several regulatory gaps at the time of IDEV's visit, as for example with regard to the proposed water extraction from the nearby river. However, an adequate ESMP was prepared to fill the gaps for compliance.

The sub-projects **complied with most environmental requirements**, although during the site visits it was not possible to go through all permitting documents and measurement data. Lowest performance was found in relation to the Occupational, Health and Safety regime (evaluation item 31): only three of 11 sub-projects would likely comply with the AfDB's and the WBG Health & Safety Guidelines requirements because of either high lost time accidents and some fatalities, the absence of personal protective equipment, unsafe electrical installations, and some labor disputes in the past, especially because of high noise levels. For instance, management and storage of hazardous materials and flammables were problematic at three sub-project sites (evaluation item 30) and fire risks were not adequately addressed at four sub-project sites (evaluation item 32). **Most of the sub-projects scored highly satisfactory or satisfactory for most of the other dimensions assessed.** Several companies receiving funds through LOCs or equity funds displayed copies of the permits obtained and the key local legislation applicable, and boards with key indicators of their EHS system, which can be useful to sensitize workers (number of incidents, lost time accidents, spills, etc.).

Table A3.5: Ratings for the 11 sub-projects evaluated

EVALUATION ITEM	Qualitative ratings (HS/S/U/HU)	HS,S	Success rate	NOP rate
<b>1 Summary of subproject's performance in meeting AfDB requirements</b>	10	7	70%	9%
<b>2 Summary of ISS and OS 2-5 Compliance</b>	9	3	33%	9%
<b>3 ESMP compliance</b>	6	3	50%	0%
<b>4 Summary of regulatory compliance</b>	10	9	90%	0%
<b>5 Compliance with the Negative List</b>	11	11	100%	0%
<b>RAPID E&amp;S ASSESSMENT OF THE SUB-PROJECTS</b>				
23 ESMS	9	8	89%	0%
24 Corporate environmental management capacity	9	8	89%	0%
25 EHS certifications received	6	6	100%	0%
26 Wastewater treatment/ measurement	9	9	100%	9%
27 Air emissions/ measurement,	7	7	100%	30%
28 Recipient air quality	6	6	100%	36%
29 Solid waste management	9	7	78%	9%
30 Management and storage of hazmat & flammables	9	6	67%	9%
31 Occupational health and safety and safety of facilities	11	3	27%	0%
32 Fire safety, risk management and emergency plans	8	4	50%	18%
33 Energy Efficiency and mitigation of GHG emissions	2	2	100%	22%
34 Biodiversity	1	1	100%	8%
35 Training	10	10	100%	0%
<b>QUALITY OF E&amp;S WORK OF THE FI</b>	7	5	71%	0%
37 Appraisal conducted by the FI	11	7	64%	0%
38 Supervision and Reporting to FI	8	5	62%	0%
39 ESHS information delivered on AfDB /FI requirements and applicable guidelines	9	2	22%	0%
40 Usefulness of FI loan and assistance to improve EHS performance	6	6	100%	0%
41 Use of ESHS consultants	3	3	100%	25%

(\*) Success rate =  $(HS+S)/(HS+S+U+HU)$ , whereby HS: high satisfactory; S: satisfactory; U: unsatisfactory; HU: highly unsatisfactory.

(\*\*) No Opinion possible (NOP) rate =  $NOP/(NOP+HS+S+U+HU)$

## Annex 4 — E&S Requirements across the Bank's Project Cycle

This annex describes the main E&S due diligence and outputs developed by the Bank across the project cycle. It is based on the information included in the Bank ESAP and other ISS-related documents.

### Management of E&S Risks at Project Identification

For public sector projects, the borrower is first expected to provide baseline data and internal screening/scoping documents in accordance with the national system of E&S screening. On the basis of these data, the Bank's sector departments conduct initial environmental, social and climate change scoping to determine the appropriate E&S category. Sector departments submit a Request for Categorization Memorandum to the Bank's Safeguards and Compliance team. The Safeguards and Compliance team reviews the categorization and suggests revisions as necessary. If approved, the Safeguards and Compliance team provides a Validation of Categorization Memorandum. For private sector projects the process is the same, if the Bank does not enter later in the process, once project identification has been completed. The categorization or project should be included in the SAP database and in the ISTS.

### Management of E&S Risks at Project Preparation

For public sector projects, subsequent to the validation of the proposed categorization, the Bank notifies the borrower of the project categorization and specifies the various studies required under Bank policy. The borrower prepares the Terms of Reference (ToR) for the required studies, for which the Bank may provide technical assistance funds. It is expected that affected communities, vulnerable groups and other local stakeholders are consulted on the ToR. The ToR are reviewed by the sector team before being reviewed by the Safeguards and Compliance team. The ToR are revised as required and relevant information is included in the Project Concept Note (PCN). The Safeguards and Compliance team conducts a compliance check of the PCN and ToR as part of the Readiness Review.

For private sector projects, an initial assessment of E&S issues is conducted by the Safeguards and Compliance team during the Project Concept Review stage. This initial review is intended to identify potential issues that require examination through more detailed studies and identify a preliminary E&S categorization for the project. Issues identified during this initial review help inform the ToR for more in-depth E&S impact assessments, as required.

### Management of E&S Risks at Project Appraisal

At this stage, all public sector projects identified as Category 1 or 2 must prepare an Environmental and Social Impact Assessment (ESIA) and an Environmental and Social Management Plan (ESMP), as applicable. During appraisal, a site visit should be conducted to ensure compliance with national legislation

and determine the adequacy of the assessment, revising the operational safeguards applicable and the project categorization as appropriate.

The borrower finalizes the required studies based on comments received, at which point the Safeguards and Compliance team reviews the reports for compliance and provides feedback as necessary. Once cleared by the Safeguards and Compliance team, the studies are posted publicly before being cleared. In providing clearance of these assessments, the Safeguards and Compliance team specifies conditions for the loan agreement. The information from the studies is then incorporated into the Project Appraisal Report and Results-Based Logical Framework. The Safeguards and Compliance team provides a final clearance through the Readiness Review of the Appraisal Report.

Private sector projects undergo in-depth E&S Impact Assessment during the appraisal phase. The Safeguards and Compliance team is then responsible for conducting a due diligence review of the studies, verifying: (i) compliance with Bank policy and national legislation; (ii) that public disclosure requirements have been met; and (iii) that sufficient financial provisions have been made in the PAR for implementation of the ESMP. If these requirements are met, the Safeguards and Compliance team issues an E&S Compliance Note, which is sent to the Country Team for review alongside the Project Appraisal Report. The due diligence of Category 4 projects during appraisal is similar, but based on the review of an E&S Management System (ESMS) developed by the client/borrower. The Readiness Review only applies to public sector FIs.

## Management of E&S Risks during Supervision and at Completion

Both public and private sector projects require close supervision during implementation from Board approval through to completion. According to IESIA Guidelines (Vol. 1, p. 54), supervision of E&S issues by E&S specialists should be done regularly, especially for high-risk Category 1 projects.

Supervision is focused on ensuring effective implementation of the measures set out in the ESMP. However, to be effective, it may also include ensuring that any specific loan conditions are fulfilled prior to commencing disbursement, and also, for example, ensuring that issues from the loan conditions and the ESMP are reflected in the Invitation to Tender for any contractors, who are usually in charge of the implementation of the ESMP and in control of potential E&S impact.

For public sector projects, the Implementation Progress and Results Report (IPR) is designed to capture results by tracking indicators on the provisions of the Bank's E&S Safeguards requirements. The indicators used are focused on the timeliness of implementation of the ESMP and/or the RAP. Annex 23 of the ESAP 2015 detail the E&S content that is incorporated into Section C.1 of the IPRs (compliance with covenants) (Figure A4.1).

The IPR Section C (compliance with covenants) includes a specific part regarding the "compliance with E&S safeguards clauses". This includes a reference to the "full report on compliance with covenants" to be reported in Annex 3 of the IPR.

Figure A4.1: E&amp;S information to be included in the IPR

**C.1b Compliance with Environmental and Social Safeguards:**

**Rating:** the rating should be based on the number/proportion of safeguards measures implemented and completed in a timely manner:

- 4 Highly Satisfactory:** All safeguards measures – as specified in the ESMP – are expected to be met at the time of reporting.
- 3 Satisfactory:** At least 75% of safeguards measures – as specified in the ESMP – are expected to be met at the time of reporting. Minor delays in compliance (usually 6–12 months) are being experienced for conditions not yet met. Actions to address the issues related to unmet conditions are under implementation.
- 2 Unsatisfactory:** Between 50% and 70% of safeguards measures – as specified in the ESMP – are expected to be met at the same time of reporting. Substantial delays in compliance (usually 6–12 months) are being experienced for conditions not yet met. Corrective actions have to be implemented and closely monitored.
- 1 Highly Unsatisfactory:** Less than 50% of safeguards measures – as specified in the ESMP – are expected to be met at the time of reporting. Major delays in compliance (over 12 months) are being experienced for conditions not yet met. Immediate management attention is required and sanctions are envisaged.

**Rating (this report):**

**Rating (previous report):**

**Assessment:** The status of ESMP implementation should be described and any issues that remain outstanding should be detailed.



## Annex 5 — Performance of AfDB Group Operations in Relation to OS 2 (Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation)

OS 2 applies to all Bank-financed operations that cause the involuntary resettlement of people. Resettlement comprises both economic and physical displacement, so in addition to those people who may be physically relocated because of a Bank-funded operation, resettlement also covers those people that may be negatively impacted by loss of land or livelihood induced by a Bank-financed operation. OS 2 covers compensation at full replacement cost, resettlement assistance for livelihood improvement, and the requirement that host communities share in development opportunities. According to the ISS, Full Resettlement Action Plans (FRAPs) are prepared by borrowers where project-induced displacement involves 200 or more persons, or they have adverse effects on vulnerable groups. Abbreviated Resettlement Action Plans (ARAPs) are prepared by the borrowers where the number of people displaced is fewer than 200 people, and land acquisition, potential displacement and/or disruption of livelihoods are less significant.

The evaluation conducted a thorough document collection. Despite these efforts, the final documentation base for the universe of 36 operations that triggered OS 2 between July 2014 and December 2017 was not complete (Table A5.1).

The Rapid Assessment Tool assessed these OS 2-related documents, considering 12 themes and 18 variables, and the assessment was validated by the Evaluation Reference Group.<sup>83</sup> The results of the Rapid Assessments of the 36 projects per variable were complemented with the identification of examples of good practices. Thematic deep dives on stakeholder engagement, vulnerable groups and supervision and implementation of resettlement issues were conducted. The choice of these topics was validated by the ERG, whose members recommended not to explore “Livelihood restoration and enhancement”.<sup>84</sup> This evidence was triangulated with the opinions emerging from interviews with the Bank’s operations staff, E&S safeguards specialists and Senior Management. Some Board members (Executive Directors and their advisors) were also consulted about their main concerns regarding OS 2. Various exchanges were also held with BCRM, which has handled 42 complaint requests, mostly related to E&S safeguards issues.

**Table A5.1:** Summary of the documents found and used for the OS 2 Assessment

Documents produced before Board approval					After Board approval (project implementation) – applicable to 30 operations <sup>82</sup>			
PAR	Bank ESIA summary	Borrower RAP	Bank RAP summary	Loan Agreement	Borrower RAP progress Report	Bank BTOR	Bank IPR	Bank Aide Memoire
36 (100%)	36 (100%)	12 (33%)	36 (100%)	35 (97%)	5 (17%)	8 (27%)	11 (37%)	10 (33%)

## Assessment of the quality of RAPs before Board approval

As further detailed in Table A5.2, the overall quality of RAPs validated by the Bank was found to be **low**. Among the 36 projects reviewed, projects were predominantly compliant for only six of the 18 variables assessed by the Rapid Assessment Tool (the green cells in the table). The colors and bold numbers indicate the “performance trend” for the 36 projects in relation to each variable (the qualitative rating for the highest percentage of projects), where green means that “most of the operations” were compliant/performed well in relation to that variable, orange means that “most of the operations” only partially comply with the variable, and red means that “most of operations” underperformed in relation to the variable.

**Table A5.2:** Summary of the compliance of RAPs with the requirements of OS 2 at entry

Theme	Variable assessed	Assessment (%)		
		Compliant	Partially Compliant	Not Compliant
<b>1. Project Description</b>	1. General description of the project and its area of influence	<b>58</b>	42	0
<b>2. Potential Impact</b>	2. Description of the project components or activities that would give rise to involuntary resettlement, the zone of impact of such activities, and the alternatives considered to avoid or minimize involuntary resettlement.	40	<b>54</b>	6
<b>3. Organizational / Institutional arrangement to ensure RAP implementation</b>	3a. Description of the institutional arrangements to ensure adequate and timely implementation of the RAP (the roles and responsibilities of the executing agency, the involvement of third-party stakeholders and inter-agency coordination, as relevant).	<b>91</b>	6	3
	3b. Description of the RAP implementation process, including a detailed timetable and an estimation of costs and overall budget.	<b>56</b>	42	3
	3c. The monitoring and evaluation system for the RAP. This should comprise monitoring during implementation as well as ex-post evaluation.	<b>92</b>	8	0
	3d. Description of the capacity of the executing agency to implement the RAP (capacity of staff and necessary financial resources), including capacity-building measures (with an associated timetable and budget) when needed.	32	15	<b>53</b>
<b>4. Community participation and meaningful consultation</b>	4a. Proof of meaningful consultation and broad community support	33	<b>50</b>	17
	4b. Description of how community participation and consultation will happen during implementation.	39	11	<b>50</b>
	4c. Information about the specific approach taken to consultation with vulnerable groups	6	3	<b>92</b>
<b>5. Project-level grievance requirements</b>	5. Detailed description of the grievance redress mechanism at the project level that has been developed	<b>78</b>	8	14
<b>6. Integration with host communities</b>	6. Meaningful host community capacity assessment has been carried out, and that potentially negative impact on host communities have been addressed by the project, including the development of conflict resolution mechanisms to resolve integration issues, if deemed necessary.	38	13	<b>50</b>
<b>7. Baseline data about the PAPs</b>	7. Level of detail of the socioeconomic baseline conditions in existence prior to the implementation of the involuntary resettlement process.	42	<b>47</b>	11

Theme	Variable assessed	Assessment (%)		
		Compliant	Partially Compliant	Not Compliant
8. Legal framework applicable to the RAP	8a. Description of the applicable legal and administrative procedures related to resettlement in the domestic context (including remedies available to displaced persons in the judicial process and the normal time frame for such procedures)	43	54	3
	8b. Description of the ISS, how it aligns with / differs from domestic legislative requirements, and how the gaps between the two are to be addressed in the project context.	29	31	40
9. Description of eligibility criteria of PAPs	9. Detailed eligibility criteria used in the project context; namely eligibility criteria that define all affected people for compensation and other resettlement assistance, including vulnerable groups.	56	39	6
10. Valuation of and compensation for losses	10. Description of the proposed types and levels of compensation under local laws and the supplementary measures required to achieve full replacement cost for lost assets.	33	53	14
11. Management of influx	11. The RAP should detail any measures being implemented to prevent influx of ineligible persons at the selected sites, together with the legal arrangements being put in place for regularizing tenure and transferring titles to the displaced persons.	29	14	57
12. Environmental management of the resettlement site	12. Assessment of the environmental impact of the proposed resettlement site and measures to mitigate and manage these impact.	29	14	57

## Assessment of the Inclusion of Resettlement-Related Loan Conditions and Covenants

The most common types of loan conditions used are “other conditions” or “undertakings/commitments”, rather than “conditions precedent”. Most of the 35 projects (approved after July 2014) assessed with complete loan agreements did not include conditions precedent. This is consistent with the results of the analysis of 65 Category 1 and 2 loan agreements for IDEV's Quality Assurance Evaluation: only 15 percent of them included a condition precedent, both before and after the adoption of the ISS.<sup>85</sup>

Many projects use a combination of “other conditions” and “undertakings” to address E&S (and resettlement) aspects. Three covenants in particular were used more than others, both for the 35 projects approved after July 2014 and for the 65 analyzed for the Quality Assurance Evaluation: (i) showing **evidence of compensation prior to commencement of works** as an “other condition” (28 of 35 projects); (ii) providing **periodic reporting** on the implementation progress of E&S documentation (ESIA, ESMP, RAP) either bi-annually or quarterly as an undertaking/commitment (27 out of 35 projects); and (iii) the **RAP to be fully implemented** as an undertaking/commitment (24 out of 35 projects). Other less frequently used loan conditions found in loan agreements are presented in Table A5.3.

Table A5.3: Less frequently used loan covenants in projects that triggered OS 2

Type	Covenant	No. of Projects (of the 35)
Condition Precedent	Adopting a detailed resettlement action plan <sup>66</sup>	3
	Acquisition of land rights	1
	Submission of a works and compensation schedule detailing the time frame for compensation and resettlement of PAPs (as defined in the RAP) in respect of each location.	7
	Submission of a works and compensation schedule and of satisfactory evidence that all PAPs in respect of [civil works in a given lot] have been compensated	4
	Opening of a designated account for resettlement, with proof of funds allocation equal to 30% of compensation funds.	1
Other Conditions	Acquisition of land completed	2
	Finalize all E&S documents 6 months after financial close <sup>67</sup>	1
	List of actions in Annex 3 of the Loan Agreement based on supervision mission findings (includes numerous actions on land acquisition)	1
	Make timely provision of funds in annual budget for compensation	1
	Update of borrower land acquisition manual by March 2017	1
	Recruitment of a Resettlement Expert	1
	Deposit of funds into escrow account for compensation	1
Undertakings/ commitments	Complete compensation	15

It is unclear how the covenants related to “Adopting a Detailed Resettlement Action Plan” as a CP (three projects) and “finalize all E&S documents six months after financial close” (one project) are aligned with the ISS. The ISS requires the RAP documents to be “final and cleared” prior to disclosure and approval by the Board. Among the 35 projects screened, three had a condition precedent that seemed to imply that the RAP was not totally finalized. The Quality Assurance Evaluation also reviewed two more projects approved after July 2014 with the same condition precedent. However, these five projects had disclosed RAPs prior to Board approval (available on the Bank website), so it is unclear why further documentation is needed as a CP or six months after financial close.

**Other MDBs have introduced the practice of using Environmental & Social Action Plans or Commitment Plans as an annex to their loan agreements.** These have been used by the EBRD and the IFC for some time, and were recently introduced in the WBG’s Environmental and Social Framework. It is not entirely clear whether using this practice would systematically add value beyond the existing provisions for Conditions Precedent, Other Conditions and Undertakings used by the Bank and the existing possibility to include more detailed annexes, as needed.

## Annex 6 — Comparison of Institutional Arrangements and Staffing Levels with Comparator MDBs

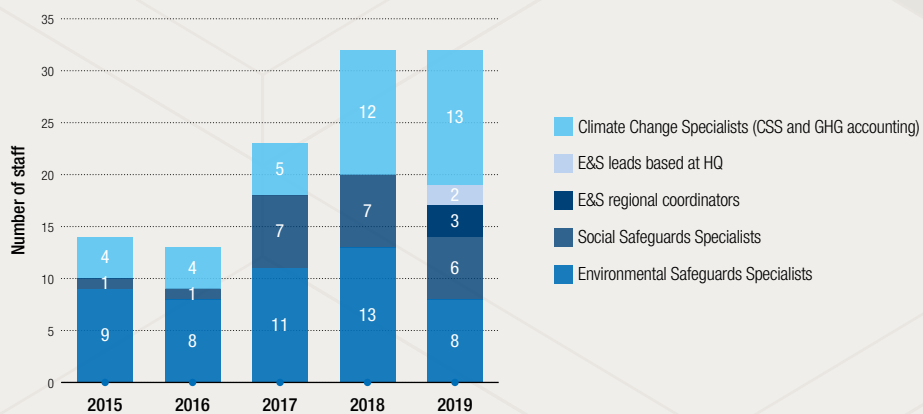
Since 2017, E&S safeguards specialists have gradually been decentralized to the Bank's regional hubs, keeping a small headquarters-based department handling policy and standards, oversight and compliance. Other MDBs have opted for different models as concerns the position of the E&S function in relation to operations departments and the decentralization of E&S specialists (Table A6.1).

Fewer than 20 E&S specialists are struggling to ensure quality Bank E&S work across the project cycle and a thorough coverage of emerging safeguards issues for the entire portfolio. The number of E&S safeguards staff was less than 10 until 2016. Currently, there are 19 staff and nine long-term consultants who have recently been decentralized to the Bank's regional offices (Figure A6.1).

**Table A6.1:** Institutional arrangements for the safeguards function

	AfDB	Other MDBs
<ul style="list-style-type: none"> <li>E&amp;S safeguards unit vs E&amp;S function embedded within operations departments</li> <li>E&amp;S staff at HQ vs E&amp;S staff decentralized to regions/ countries</li> </ul>	<ul style="list-style-type: none"> <li>Centralized model until 2016. Now transitioning to a model with a small centralized department at HQ handling policy and standards, oversight and compliance, and most ESS specialists decentralized to five regional hubs, as part of the regional staffing</li> </ul>	<ul style="list-style-type: none"> <li>EBRD: single centralized department, all staff based at HQ</li> <li>IADB: single substantially centralized department, most staff at HQ, some decentralized regionally</li> <li>IFC: single department, but with high staff decentralization</li> <li>WB and AsDB: central safeguards unit (policy and standards, oversight and compliance), some decentralized staff in operations departments (sector and country teams)</li> </ul>
<ul style="list-style-type: none"> <li>E&amp;S safeguards staff reporting lines if embedded within operations departments (ops depts.)</li> </ul>	<ul style="list-style-type: none"> <li>Double reporting line to the E&amp;S safeguards compliance department (SNSC) and to the Regional Director-General</li> </ul>	<ul style="list-style-type: none"> <li>IADB, IFC: All safeguards staff reporting to central safeguards unit</li> </ul>
<ul style="list-style-type: none"> <li>International safeguards staff posting</li> </ul>	<ul style="list-style-type: none"> <li>About 80% in the field</li> </ul>	<ul style="list-style-type: none"> <li>WB: 70% in the field; IFC: 60% in the field; IADB: 10% in the field; IDB Invest: 22% in the field; EBRD: All at HQ; AsDB: about 62% in the field; EIB: All at HQ</li> </ul>



**Figure A6.1:** Evolution of E&S safeguards and climate change staff at the AfDB

Source: Self-elaboration with SNSC and PEGC data, triangulated with the Bank's budget department.

Table A6.2: E&amp;S staffing levels for various MDBs

Number of Staff	World Bank Group <sup>88</sup>		Inter-American Development Bank Group		EBRD	AsDB	EIB	AfDB
	World Bank - IDA	IFC	IADB	IDB Invest				
Environmental safeguards	<p>Around 300 Environmental specialists (globally).</p> <p>Consultants used for about 20% of safeguards work</p>	<p>50 environmental specialists (globally).</p> <p>Additional 17 staff with mixed E&amp;S responsibility.</p> <p>Additional 34 focus on corporate governance.</p> <p>About 50-60 consultants.</p>	<p>25 environmental safeguards specialists (15 permanent and 10 consultants)</p> <p>40% of workforce are long-term consultants.</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>* 5 consultants in Operations</li> <li>* 3 regional experts</li> <li>* 1 Chief (for both environment and social)</li> </ul>	<p>21 environmental safeguards staff and 3 corporate governance lawyers.</p>	<p>50 staff (40 in operations, appraisal, and monitoring and 10 in policy).</p> <p><b>No data about the Africa and Middle East-North Africa regions could be obtained</b></p>	<p>58 environmental specialists</p>	<p>6 environmental specialists.</p> <p><b>No data about the Africa and Middle East-North Africa regions could be obtained</b></p>	<p>8 environmental specialists (since 2019, with the support of 3 E&amp;S Coordinators, 2 HQ lead E&amp;S staff)</p> <p>9 long-term consultants in the regions</p>
Social safeguards	Around 200 Social Development specialists (globally)	18 social specialists (supported by external consultants), globally.	18 social safeguards specialists (8 permanent and 10 consultants).	3 social specialists	Staff responsibilities are mixed across environment and social	59 social specialists	11 social specialists	6 social specialists (same support as above)

**Table A6.3:** Workload and project coverage per E&S safeguard specialist

	World Bank	IFC	IDB Invest	EBRD	EIB	AfDB
Average number of interventions covered by each safeguards specialist	About 10 per person.	About 5 appraisals and 7 supervisions per FY	Average 46 transactions	About 10 per person.	Average 10 transactions	Estimated around 15 new operations annually, without considering the support to the ongoing portfolio.

**Table A6.4:** Operations supported during implementation by E&S specialists

	World Bank	IFC	EIB <sup>99</sup>	IDB Invest	AfDB
Number or % of projects desk-reviewed for E&S supervision of safeguards aspects	Only Category C investment projects are desk reviewed (2-5% of the overall portfolio)	Desk reviewed 40 Category C and 42 Category FI-3 projects in 2017.	All Category C equivalent projects are desk reviewed	300 least risky projects	No information found.
Number or % of projects with field E&S supervision of safeguards aspects	95% on average. About 98% in 2017.	400 projects in 2017 (about 25% of the active portfolio (Cat A, B, FI-1, FI-2))	All Category A equivalent projects are visited once a year. Monitoring of Cat. B is on an ad hoc basis	300 least risky projects	Estimation done for the evaluation: E&S support to 84 supervision missions (103 if also regional coordinators and leads do E&S supervisions)

Source: MDB and SNSC survey.

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## Endnotes

1. Associated facilities are assets, activities or facilities not funded by the Bank but whose existence depends on the project or whose goods and services are essential for the successful operation of the project.
2. The stakeholder mapping conducted by the evaluation team during the scoping stage can be found in Section 7 of the [Evaluation Inception Report](#). The four technical reports are focused on: (i) the relevance and efficiency of the ISS; (ii) the overall compliance of AfDB operations with the ISS across the project cycle; (iii) the performance of AfDB operations in relation to Operational Safeguard 2 (involuntary resettlement); and (iv) the E&S performance of the FI operations supported by the AfDB.
3. The online survey targeted 550 CSOs that are part of the list of the Gender, Women, and Civil Society Department or receive information about the outreach activities of the Compliance and Review Mechanism (BCRM).
4. The IESIA notes were published in 2015: [Integrated Safeguards System: General Guidance on Implementation of OS1](#); [Integrated Safeguards System: Guidance on safeguards Issues](#); [Integrated Safeguards System. Guidance Materials Volume 3: Sector Key sheets](#).
5. Although they are separate documents, they are inter-related and cross-referenced. Some MDBs have up to nine or ten standards addressing thematic issues such as labor and occupational health and safety (H&S); cultural heritage; stakeholder engagement; disclosure of information, indigenous peoples and community H&S.
6. According to various Bank E&S specialists interviewed, the 2003 policy is still valid. In addition, all the ongoing projects approved under the policy are still being implemented considering its requirements, instead of those of OS 2.
7. The ISS defines “vulnerable individual or groups” as those within a project’s area of influence who are particularly marginalized or disadvantaged and who might thus be more likely than others to experience adverse impact from a project. This vulnerable status may stem from a group’s gender, economic status, ethnicity, religion, cultural behavior, sexual orientation, language or physical and psychological health conditions. Vulnerable groups may include, among others, female-headed households, those below the poverty line, the landless, those without legal title to assets, ethnic, religious and linguistic minorities, Indigenous Peoples, those who are disabled, etc. ([Integrated Safeguards System: Guidance on Safeguards Issues](#), page 12).
8. In the ISS Guidance section on consultation, BCS is defined as a “collection of expressions by affected communities, through individuals or their recognized representatives, in support of the project” ([Integrated Safeguards System: Guidance on Safeguards Issues](#), page 5). This is a general requirements for all projects, and it also applies specifically to those inducing involuntary resettlement. For instance, it is suggested that an explicitly written statement should be provided in the RAP that embodies the agreements reached from the negotiations with affected people, as a guarantee that consultations were conducted in a meaningful way and that BCS was obtained for the involuntary resettlement process. The only comparable requirement in other MDBs is to obtain FPIC for Indigenous Peoples at the EBRD and World Bank Group (WBG). At the WBG, this is applied to Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities.
9. In the ISS, the use of the SEP instrument is described in the Guidance Note on consultation, but the use of the tool itself is not a requirement (IESIA Vol. 2 Guidance Note on Consultation). The Guidance Note suggests that such a tool can be useful: “Once a stakeholder mapping analysis exercise has been instigated, the borrower or client is advised to develop and implement a SEP (or a Consultation Engagement Plan) that is scaled to the project risks, impact and development stage, and that is tailored to the characteristics and interests of the affected communities. The advantage of having a SEP is that it provides a formal commitment, defines responsibilities, and ensures that adequate funds are made available to carry out the program of consultation”.
10. CSS Category 1 are projects which may be very vulnerable to climate risk, and require a detailed evaluation of climate change risks and adaptation measures integrated into the project design and implementation plans. CSS Category 2 are projects which may be vulnerable to climate risk, and practical risk management and adaptation options should be integrated into the project design and implementation plans. CSS Category 3 are projects that are not vulnerable to climate risk; only voluntary low-cost risk management and adaptation measures are recommended, but no further action is required. (adapted from ISS policy statement and “The AfDB’s Climate Change System— the basics”, electronic booklet).
11. The overarching twin objectives of the [TYS](#) are inclusive growth and the transition to green growth through five operational priorities: infrastructure development, regional economic integration, private sector development, governance and accountability, and skills and technology. In addition, the [TYS](#) highlights three areas of special emphasis: gender, fragile states, and agriculture and food security. The [High 5s](#) are: Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa.
12. The reconstruction was based on the data reported in the Annual Reports of the Compliance and Review Division (ORQR3, until 2016) and SNSC (Safeguards and Compliance Department, after 2017), which capture the E&S categorization effort done by E&S specialists. Therefore, it is possible that some of those interventions were not finally approved. Data available for 2015 and 2017 only covered the first eight months of those years. Missing E&S categories are explained in the source reports as being humanitarian assistance and financial budget support for governments, not having an SAP code needed to retrieve categorization information. The proportion of Category 1 projects increased from 20% in 2015 to 43% in 2018, and Category 4 projects from 17% to 24% (although the sub-categorization FI-A, FI-B, FI-C is not included in these reports to further assess the E&S risk of these interventions).
13. Those divisions were the Compliance and Safeguards Division (ORQR3), Energy and Climate Change Division (ONEC3), and Agriculture and Sustainable Development Division (OSAN3).
14. For instance, the EBRD, EIB and IADB have a single centralized department at headquarters, while the WB, the AsDB and the IFC have a central safeguards unit, but have relocated more than 60% of their staff to field offices (Table A6.1 in Annex 6).
15. The AfDB Group (2019), Draft Revised Environmental and Social Assessment Procedures.

16. A SESA should entail a broader, upstream, more long-term strategic perspective. A SESA should be highly participatory, iterative and ultimately focused on defining an institutional solution to managing potential E&S risks, which may require the design of an ESMF. The key objective is to examine alternative options in order to assess the potential E&S implications – positive and adverse – of the proposed PBO and the institutional options for the monitoring and management of its resulting E&S impact over time. This concept was already included in the 2004 [African Development Bank Group's Policy on the Environment](#), the 2000 [Environmental Procedures of the Bank for private sector operations](#), the 2001 [Environmental and Social Assessment Procedures for African Development Bank Public Sector Operations](#); and the 2003 [Integrated Environmental and Social Impact Assessment \(IESIA\) guidance notes](#).
17. Only two of the 110 PBOs approved by the Bank and analyzed by IDEV's [Independent Evaluation of AfDB Program Based Operations \(2012-2017\)](#) were not classed as Category 3. In one case, the sector PBO was categorized as 2 (medium E&S risk) at appraisal and re-categorized as Category 3 during implementation, according to the Project Completion Report, without further justification. The PCR rates the E&S sustainability of the program as very satisfactory and considers that the dialogue with the government showed good prospects to "green" the program and to support the reforms in line with inclusive and green growth. The other PBO categorized as 2 at appraisal was a livestock-sector PBO. In both cases, the Bank's E&S staff validated the SESA prepared by the borrower before Board approval. [Independent Evaluation of AfDB Program Based Operations \(2012-2017\)](#).
18. The memos for request and validation of categorization, as well as the notification of category to client/borrower.
19. At this stage, the borrower prepares the Term of Reference for E&S Assessment studies, and the Bank reviews and clears them (producing memos to request for review and clearance of studies, and including key information about the E&S risks in the PCN).
20. The evaluation analyzed the E&S ratings of the RRs of the PARs for a sub-sample of 66 Category 1, 2 and 3 public sector projects approved between 2014 and 2017. They were part of the random sample of the IDEV Quality at Entry Evaluation composed of 125 public sector operations. For 29 of them, the E&S dimension rating was not available.
21. SNSC reported 28 projects which were cleared "on condition" from 2014 to 2016. Only 5 of them were translated as loan conditions. In some cases, SNSC asked to better reflect the cost of the ESMP in the PAR, in other cases to improve the mainstreaming of aspects related to different OSs. Seven of those 28 projects are Category 4 projects. Source: 2016 E&S due diligence Annual Report. AfDB, 2019, The Quality Assurance Implementation Plan (2019-2021). June 2019 Version. SNOQ.
22. AfDB, 2019, The Quality Assurance Implementation Plan (2019-2021). June 2019 Version. SNOQ.
23. Emergency operations are currently exempted from the ISS/ESAP categorization, but thresholds and guidance are not clear. Some annual reports about categorization elaborated by the Bank E&S compliance unit highlight a certain percentage of operations without a Category in the internal Bank database (SAP). Interviewees confirmed this challenge, but the evaluation could not fully assess the extent of this.
24. 24 An ORQR safeguards compliance review reviewed ten Category 1 projects approved between 2002 and 2012 and found that in most cases, ESIA's and RAPs were found to be particularly deficient in quantifying impact and establishing clear mitigation programs.
25. Probably following the national E&S assessment requirements, the E&S outputs of some Category 2 projects were approved with a summary of an ESIA, including an ESMP (or a monitoring plan), others with two separate (ESIA and ESMP) documents, and others with an ESMP summary.
26. The section in the RAP about the applicable legal framework for resettlement should describe both the national requirements as well as the international standards to which the resettlement operation is seeking to adhere, analyze the gaps and present clearly the procedures that the project will adopt to address this gap.
27. Through the Independent Review Mechanism, the Bank gives opportunity to project-affected individuals and communities, as well as civil society organizations, to register any complaints associated with perceived Bank non-compliance with its policies and procedures, including the ISS, and ensure that such complaints are addressed through credible and transparent processes.
28. The separate Technical Report on the performance of the AfDB's operations in relation to involuntary resettlement describes the best practices of Bank due diligence and management by borrowers. It found the following key variables among the 36 projects: how to describe the impact and actions to avoid or minimize involuntary resettlement; how to demonstrate Broad Community Support and include the views of vulnerable groups in project consultation; how to assess the host community capacity; and how to offer a robust socio-economic baseline about the project affected people, including land tenure and land uses, existence of vulnerable groups among the PAPs.
29. Other MDBs also publish RAP documentation prior to Board approval, but none of them prepare summaries of borrowers' documents. At the WB, the new ESF is more flexible on the state of preparedness of project E&S documentation and does not require documents to be finalized. According to the Operational Directive for Investment Project Financing, the WB discloses draft E&S documents before appraisal. The Directive notes that subject to approval by the E&S Advisor, certain studies can be prepared after Board approval. Also, during implementation, the task team discloses any changes to the risk classification and updated or final versions of E&S documents.
30. The Condition Precedent is the most stringent requirement, as this has to be done prior to loan effectiveness or the first disbursement; Other Conditions are to be assessed on an ongoing basis; and undertakings/commitments are more general measures to be undertaken by the project executing agency.
31. This analysis includes 65 Category 1 and 2 operations from the non-random sample of 89 operations, and 35 projects that triggered OS 2 (the loan agreement of one of the 36 projects could not be accessed).
32. The ISS states that "FIs are required to notify the responsible sector department in the Bank if a sub-project is deemed to be Category 1, and this information is passed on to the relevant Compliance and Safeguards function of the Bank". The guidance material requires that details of E&S assessment are submitted as part of the monitoring report for Category 1 and 2 projects. See AfDB's ISS Policy Statement and Operational Safeguards (2013), pages 25 and 29.
33. Source: presentation of the SNSC Division, retreat 2017.

34. The IPR guidance in the ESAP 2015 includes an E&S rating with a four-point rating scale where by highly satisfactory (4) is granted when all the safeguards measures are respected, satisfactory (3) when at least 75% of them are respected and a maximum 6 month delay is observed with the others, unsatisfactory (2) when 50-75% of the safeguards measures are respected and the delay is between 6-12 months. In this case, corrective measures need to be raised and followed-up. Finally, projects received a highly unsatisfactory rating (1) when less than 50% of the safeguards measures are respected and a delay of more than one year is observed for the rest. In this case, the issue should be escalated and sanctions considered.
35. The 2014 self-assessment safeguards review found that E&S aspects were not systematically reviewed during supervision nor were they part of aide-memoires, except when a potential high corporate risk materialized. The study only highlighted as an exception and good practice a power project in Botswana where aide-memoires described clearly the status of the ESMP implementation, including progress on E&S issues. The report noted that this is also an issue for other institutions, such as the WB and the AsDB. For instance, the WB Independent Evaluation Group (IEG) mentioned weak E&S supervision as a big cause of concern in its 2010 report *Safeguards and Sustainability Policies in a Changing World*. Non-compliance with E&S supervision requirements was the main reason for claims made by affected persons to the WB's Inspection Panel. On the other hand, the Bank's Compliance Review and Mediation Unit (BCRM), which administers the Independent Review Mechanism, considers that Bank supervision reports and Back-to-Office Reports on E&S aspects of projects are either brief or prepared without due diligence, and in a few cases are inconsistent with actual project activities on the ground (IRM Annual Report 2017).
36. The WB system allows Task Managers to override the rating provided by the E&S specialists, but in those instances their justification must be provided and recorded in the system. This triggers a notification to the E&S Practice Managers and is reported to be seldom used.
37. The 19 AMs and BTORs seldom report on assessing the extent to which the compensation meets the requirements of OS 2, for example whether the compensation meets the full replacement cost criteria, what measures are taken for vulnerable groups, public participation and grievances related to the resettlement. This could include the number of PAPs compensated as compared to overall PAPs, the type of impact compensated, size of the acquired land (temporary and permanent), etc. This is aligned to IRM findings (compliance review and problem-solving cases). Bank supervision and completion reports for public and private sector operations do not provide any information on outcomes of the RAP implementation. The quality of safeguards work at supervision (dimension 2 in Table A3.4 of Annex 3) could be evaluated for only 37 operations, the rest being too recent to have been supervised or not requiring further E&S safeguard work because they are low-risk (FI-C operations).
38. The quality of safeguards work at supervision (dimension 2 in Table A3.4 of Annex 3) could be evaluated for only 37 operations, the rest being too recent to have been supervised or not requiring further E&S safeguard work because they are low-risk (FI-C operations).
39. "Evaluations report that although IFIs always assess FIs for the compliance of their E&S management systems, the standards are not always followed through satisfactorily. While the vast majority of countries have adopted E&S, Health and Safety standards in line with those of IFIs, the quality and consistency of enforcement of the standards remains a problem. Inadequate monitoring and reporting, as well as the lack of agreements and standards enforcement, give rise to issues with accountability and transparency of LOCs. This also can lead to significant reputational damage to IFIs". AfDB, 2018. *Do Lines of Credit Attain their Development Objectives? – An Evaluation Synthesis 2010-2017*
40. This evaluation conducted an in-depth Project Results Assessment of six LOC operations to five financial intermediaries (one of them received two consecutive LOCs), including a dimension about E&S performance. 2017 AfDB – IDEV. *Country Strategy and Program Evaluation of South Africa (2004-2015)*.
41. The checklist includes elements on (i) E&S Capacity of Institution, (ii) ESMS Implementation, and (iii) Monitoring & Reporting. Importantly, the checklist requested evidence on sub-project categorization, compliance with the Negative List and Host Country ESHS Laws and E&S due diligence reports for high- and medium-risk transactions.
42. For FI-A projects' Category 1 and 2 sub-projects that require a full E&S assessment process, resulting in an ESMP and/or Full RAP, the FIs should notify the AfDB and provide details of E&S assessments, (ISS Guidance Materials on Implementation of OS 1 (2015), page 38).
43. The project portfolio included 12 FI-A projects, but four of them were Non-Evaluable as they were recent investments with reporting requirements only after 2018.
44. The implementation of RAPs involves a multi-stakeholder process and can range from the Ministry of Finance, Project Executing Entity, Land Commission, General Surveyors Authority, Regional and Local Governments, Community-level Authorities and PAPs. Issues with any one actor may delay the entire process.
45. Those steps were the update of the RAP after the recruitment of contractors, the creation of an inter-ministerial commission to identify and compensate PAPs, the issuance of expropriation, compensation and payment decrees, the creation of a regional commission in charge of the payment.
46. The cut-off date is the date after which any person setting up an economic activity or asset in the area directly affected by the project is no longer eligible for indemnification and compensation.
47. For instance, this report rates as partial equivalent the legal framework of Morocco and Cameroon in relation to the Bank's requirements considering the following dimensions: identification and compensation of PAPs as part of the E&S Assessment and the consultation process around the RAP. Neither of the legal frameworks of these two countries included economic displacement, as required by the Bank's policy.
48. A total of 26 cases were rated as "No opinion possible" due to the lack of or insufficient E&S information. The rest could not be rated for this overall indicator because they are recently approved (13 cases rated as "Non-Evaluable") or were rated as "Not Applicable" because they are rightly categorized as FI-C, without adverse E&S impact (five cases).
49. AfDB: E&S Management in the African Financial Sector: Training and consultancy on environmental and social management in financial intermediaries and microfinance institutions in Africa. An AfDB-FAPA Project Completion Report.
50. In addition, 15 projects were too early to evaluate for this indicator, since the legal documents did not request supervision reports to be submitted to the AfDB before 2019. Five additional more were low E&S risk.

51. For instance, a Fund Manager visited includes key ESG indicators in the monthly reporting to senior management, including the progress in implementing the ESMP and, documented with pictures, the changes that the Fund introduced in terms of EHS in the sub-projects (investee companies).
52. The study included case studies for one country in each of the Bank's five regions (Kenya, Tunisia, Ghana, Cameroon and Malawi). In each country, projects were selected for particular attention if their resettlement and livelihood restoration programs were deemed to have succeeded or not, or if the project was derailed or cancelled because of resettlement-related issues. Projects funded by other MDBs also provided insights to this study.
53. This was the case of a spot-check of a road sector project in Tanzania which recommended the Bank to take a sector investment program approach to better address implementation of safeguards policy issues, among others.
54. For instance, the 2018 IDEV [Country Strategy and Program Evaluation of Nigeria \(2014-2016\)](#) reported TA packages to upgrade the ESMS of a state bank when starting a lending relationship through a LOC. In spite of having included the development of the ESMS as a condition precedent, and substantive support provided by the Bank through the TA for the various LOCs provided, the E&S performance of this FI was assessed as unsatisfactory. This evaluation conducted an in-depth Project Results Assessment of seven LOCs to four FIs (two of them received two or three consecutive LOCs).
55. Out of 19 staff dealing with E&S risk of operations, there are eight environmentalists, six social specialists, three E&S Coordinators and two lead E&S experts based at headquarters. A new Director joined in April 2019. The team is completed by a program analyst and a department assistant.
56. For instance, the WB reported fixed and variable costs (travel and consultants) of around US\$40,000 for preparation and USD 23,000 for supervision of a Category A project (equivalent to Category 1 at the AfDB) and US\$23,000 and US\$15,000 for Category B (2).
57. For instance, gender analysis was required in the ToRs of borrowers to conduct the E&S assessment studies early during the preparation stage in an AfDB-EBRD co-funded sanitation project in Tunisia and an energy project in Madagascar; the update of ESAs requested a detailed gender analysis in an energy project in Angola; entry points to mainstream gender in the RAP implementation were found in two energy (transmission and power plant) projects in Mozambique.
58. Out of the sample of 89 operations, E&S safeguards staff of the Bank joined less than 15% of the 34 supervision missions of Category 1, 2 and 4 projects with information about the team composition, with their participation being the lowest in Category 2, Category 4 and other private sector operations. The analysis of the supervision reports of 37 additional Category 4 operations and interviews with FI clients in the case study countries confirmed they are not providing the necessary support to ensure ISS compliance for this part of the portfolio, even for FI-As. The AfDB allocated significantly less person-time to medium-risk (Category 2) operations than the Asian Development Bank (AsDB). While the AfDB also allocates less time to high E&S risk projects (9.2 weeks at the AfDB vs 11.7 weeks at the AsDB for Category 1), the time allocated for medium E&S risk operations is significantly lower (2.8 weeks at the AfDB vs 7.6 weeks at the AsDB for Category 2 projects).
59. African Development Bank (2019), *Upgrading the Integrated Safeguards Tracking System*. draft.
60. AfDB, 2019, *The Quality Assurance Implementation Plan (2019-2021)*. June 2019 Version. SNOQ.
61. Two interesting reports were found and assessed as very useful: a 2011 report on the status of implementation of the E&S mitigation measures for all the agriculture and agro-industry projects and a 2014 E&S audit of ten Category 1 projects of various sectors financed by the AfDB in 11 countries. In addition, other similar E&S audits were conducted for selected projects, such as the one to fund an airport in Senegal.
62. A road project in Tanzania (2016), two private sector operations (a gas project in Tunisia and a reforestation operation in Ghana, 2017), three projects in Cameroon (one water & sanitation and two road projects, 2018) and two ongoing spot checks in Kenya (an environment and a sanitation project, 2019). The criteria to select projects for BCRM spot checks are the following: Category 1 (e.g. high-risk, environmentally or socially) and on-going; preferably, projects close to the completion stage; and projects not having been subject to a compliance review investigation (AfDB, 2015. Independent Review Mechanism. Guidelines, Spot check advisory reviews of project compliance and advisory services). In addition, the justification of the choice of some of these projects in BCRM Annual Reports are related to recurrent issues observed by the BCRM, projects flagged because of low disbursement and reported non-compliance with safeguards requirements in the BTORs.
63. AfDB, 2019, *The Quality Assurance Implementation Plan (2019-2021)*. June 2019 Version.
64. This evaluation reviewed a purposeful sample of 45 public sector and 22 private sector operations that became effective in 2012.
65. The survey was responded to by 111 representatives of CSOs that were informed of the BCRM activities or are part of the list maintained by the Gender, Women and Civil Society Department of the Bank.
66. Key features of the ESAP are incorporated in the Operations Manual followed by public sector task managers and the Business Manual used for private sector operations. The specific details and further guidance included in the ESAP and IESIA are not fully known and used by operations staff.
67. The evaluation planned to conduct a Bank staff survey to determine the extent of awareness about safeguards-related issues. However, various surveys were launched by other Bank departments at the same time. It was concluded that adding another survey to the list would not be fruitful. In place of a Bank-wide questionnaire survey, detailed interviews and focus group discussions were undertaken with 103 carefully selected staff (See Table A2.4. in Annex 2).
68. The IADB is the only institution with an explicit policy on gender equality, including specific gender-based preventive actions. However, its 2018 [Environmental and Social Safeguards Evaluation](#) found that triggering the gender policy has been inconsistent, may be at least partly due to staff now knowing how to approach and incorporate the issue. In practice, project teams encountered challenges to find an effective entry point to address potentially negative gender-related project impact.
69. Regarding gender, the promoter must ensure equal treatment of women during compensation and income restoration processes, especially with regard to women rights and interests in land, property, assets, and compensation and relocation assistance, even where these are not recognized in formal law. Within household units, it is encouraged that titles of replacement land and structures are issued in the names of the head of household and his wife, rather than merely the former. EIB ESH, ESS 6, para. 47.

70. World Bank Group (2019), How to Ensure Better Outcomes for Women in Resettlement: A Toolkit. Washington, D.C.
71. It lays out a road map for including disability in the Bank operations, including safeguards, and provides guidance on building internal capacity for supporting clients in implementing disability-inclusive development programs. World Bank Group (2019), Disability inclusion and accountability framework (English). Washington, D.C.
72. IADB, 2017. [Meaningful stakeholder consultation](#): IADB series on environmental and social risk and opportunity; WB, 2017. [The World Bank Environmental and Social Framework](#)— stakeholder engagement and information disclosure (Environmental and Social Standard 10).
73. The field missions identified two cases where the FI (development bank or an equity fund) on-lent to another commercial bank. In these instances, it is important to reinforce the E&S reporting, and this may require extra support from the AfDB's ESS specialists to ensure the chain of communication about the requirements is respected.
74. AfDB's ISS Policy Statement and Operational Safeguards (2013), page 29.
75. ISS Guidance Materials, Volume 1 (2015): General Guidance on Implementation of OS 1, page 38.
76. The assessment tool was tested with two operations and validated by Bank E&S staff and the Evaluation Reference Group. The complete Rapid Assessment Tool and the rating system is included in the inception report available on IDEV's website.
77. In order to conduct the desk review to assess the E&S performance of FI lending and the support provided by the Bank to comply with the ISS, the evaluation requested the following targeted documents with key ES information: (i) Project Appraisal Reports (PARs), (ii) Additionality and Development Outcomes Assessments (ADOA); (iii) Loan Agreements; (iv) ESMSs of the FIs; (v) Bank's Annual Supervision Reports (ASRs), Project Supervision Reports (PSRs), and BTORs; (vi) FIs' AEPR; (vii) The Bank's Extended Supervision (completion) Reports (XSRs), when applicable. The document collection process started in December 2018 and was closed at the end of April 2019. Despite a thorough data collection process, the evaluation team was unable to access the ESMSs of five FI operations, 11 Bank supervision reports and 36 FI E&S progress reports (AEPRs) for the 38 operations that had advanced sufficiently to have been required to be supervised or the FI to report.
78. The AfDB's ISS Policy Statement and Operational Safeguards (2013), page 25.
79. The terms "negative list" and "exclusion list" are used interchangeably in various documents of the ISS (Policy Statement and IESIA).
80. The AfDB's ISS Policy Statement and Operational Safeguards (2013), page 29.
81. According to interviews with the Bank's E&S staff, Category 4 has been granted for operations where the exact portfolio of sub-projects or components was not totally known at appraisal. Therefore, the E&S management of the components of those Category 4 operations are delegated to the client's E&S management system (ESMS).
82. Six of the 36 projects did not have any field supervision.
83. As the RAP documents produced by the borrowers before Board approval could be obtained for only 12 projects of the 36, the Rapid Assessment was applied to the RAP summaries produced by the Bank instead of the borrower's report. In practice, given that the RAP summaries are expected to cover all aspects of the RAP produced by the borrower, though in shortened form, no distinction was made between the assessment of the borrower RAPs and the RAP summaries. A quick comparison of the borrower RAPs that were available and Bank summaries did not show any discrepancies between the content of the two documents in terms of illustrating commitments made to comply with OS 2.
84. A specific objective of OS 2 is to ensure that displaced people receive significant resettlement assistance under the project, so that their standards of living, income-earning capacity, production levels and overall means of livelihood are improved beyond pre-project levels. To this end, a comprehensive livelihood improvement program should be formulated and implemented as part of the Resettlement Action Plan. In practice, the Resettlement Policy Review of Implementation (2015) noted that "little or no priority is given to livelihood restoration programs". Early findings of the OS 2 Rapid Assessment revealed that while projects mostly adhere to the principle of compensation at full replacement cost, the principles of livelihood restoration and enhancement are seldom addressed in project design and implementation.
85. Only 10 of these projects had an OS 2-related condition precedent (five projects were approved before the ISS and five after).
86. This measure was included in an urban transport project in Tanzania approved in 2015, a road project in Uganda approved in 2016 and a road project in Kenya approved in 2015.
87. For a hydropower plant in Rwanda.
88. No data could be found about MIGA E&S staff.
89. The EIB does not use a standard project categorization system. Instead, it benchmarks against EU processes. All projects are screened, and then a rating is applied after due diligence, based on remaining residual impact. For the sake of this comparison, low residual risk would approximate to Category C, and higher residual risk to A or B.



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## About this Evaluation

This report presents a summary of the findings, lessons and recommendations from IDEV's evaluation of the African Development Bank's (AfDB's) Integrated Safeguards System (ISS), and the actions the AfDB is undertaking to ensure its effectiveness. The evaluation assesses the relevance and robustness of the ISS's design; the efficiency of the system, process, resourcing and incentives in place; and the emerging effectiveness of the ISS in achieving the AfDB's safeguards objectives. It also explores success factors and good practices for implementation of the safeguards policy, with examples from the Bank and its peer development organizations.

The methodological approach to this evaluation was theory-based, using mixed methods and a formative approach focused on design and early implementation, and on process and efficiency. Multiple sources of information were used to mitigate methodological challenges and increase the credibility of the results. An Evaluation Reference Group was established to ensure the relevance, accuracy and quality of the evaluation approach, findings and recommendations to the Bank's operational context.

The evaluation found that the ISS approved by the AfDB at the end of 2013 is well aligned with international best practice, while identifying some areas for improvement to better cover relevant emerging safeguards issues. The most significant constraint to the implementation of the ISS during the evaluation period was found to be the insufficient level of human and financial resources allocated to safeguards issues.

The evaluation made six major recommendations to the AfDB that would strengthen and improve the functioning of its ISS.



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